



***SHINHAN INVESTMENT CORP.
AND SUBSIDIARIES***

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
SHINHAN INVESTMENT CORP.

Opinion

We have audited the accompanying consolidated financial statements of SHINHAN INVESTMENT CORP. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS)

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to the following matters.

(a) Contingent Liabilities Related to Lime Asset Management

As described in Note 34. (6) to the financial statements, the former Prime Brokerage Service Division's head of the Group was convicted in a criminal trial for fraud and violations of the laws on Financial Investment Services And Capital Markets Act, and the prosecution also indicted the Group on January 22, 2021. However, the Group did not recognize any additional provision for the legal liability that may arise in the future in connection with the alleged involvement in such misconduct.

(b) Significant uncertainty in the business environment - COVID-19

As described in note 44 to the financial statements, the rapid spread of COVID-19 has negatively affected the global economy, which can negatively affect the Group's ability to generate revenue by increasing expected credit losses and potential damage to assets.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal controls that we identify during our audit.

Samil PricewaterhouseCoopers

Samil PricewaterhouseCoopers

Seoul, Korea
March 3, 2022

This report is effective as of March 3, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

<i>(In millions of won)</i>	<i>Note</i>	2021	2020
Assets			
Cash and due from banks measured at amortized cost	4,26,27,28	₩ 3,108,505	3,418,793
Financial assets measured at FVTPL	5,26,27,28	28,241,223	26,779,574
Financial assets measured at FVOCI	6,26,27,28	1,361,298	2,636,280
Investments in associates	7	731,316	784,339
Loans measured at amortized cost	8,26,27,28	5,215,521	4,738,127
Property and equipment	9	183,203	156,185
Intangible assets	10	85,534	63,022
Investment property	11	433,103	440,473
Deferred tax assets	30	164,138	904
Current tax assets	30	89	-
Other financial assets	12,26,27,28	4,816,345	7,543,958
Other assets	13	106,529	70,778
Total assets	₩	44,446,804	46,632,433
Liabilities			
Deposits	14,26,27,28	₩ 3,594,669	3,751,006
Financial liabilities measured at FVTPL	15,26,27,28	9,417,656	10,016,283
Borrowings	16,26,27,28	20,181,075	19,600,249
Provisions	17	388,218	162,895
Current tax liabilities	30	149,886	46,796
Other financial liabilities	18,26,27,28	5,337,129	8,404,069
Other liabilities	19	352,682	277,043
Total liabilities	₩	39,421,315	42,258,341
Equity			
Capital stock	37	₩ 1,786,998	1,786,998
Hybrid securities	37	300,024	-
Capital surplus	37	667,635	667,635
Capital adjustments	37	1,550	1,976
Accumulated other comprehensive income	37	152,020	102,221
Retained earnings	37	2,116,718	1,814,596
Non-controlling interests	37	544	666
Total equity	₩	5,025,489	4,374,092
Total liabilities and equity	₩	44,446,804	46,632,433

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

<i>(In millions of won)</i>	<i>Note</i>	2021	2020
Operating revenue:			
Commission income	20	₩ 813,068	713,214
Gain on financial instruments measured at FVTPL	26	5,348,644	6,786,707
Gain on financial instruments measured at FVOCI	26	8,450	14,651
Interest income	21	669,530	701,830
Financial instruments measured at fair value		341,348	382,678
Financial instruments measured at amortized cost		328,182	319,152
Reversal of provision for credit loss	26	2,264	-
Gain on foreign currency transactions	22	685,489	1,034,651
Others	24	64,905	40,002
		<u>7,592,350</u>	<u>9,290,965</u>
Operating expense:			
Commission expense	20	173,099	142,075
Loss on financial instruments measured at FVTPL	26	4,970,767	6,868,535
Loss on financial instruments measured at FVOCI	26	19,287	7,263
Interest expense	21	221,668	268,506
Provision for credit loss	26	82,399	111,797
Loss on foreign currency transactions	22	792,996	919,760
General and administrative expenses	23	734,454	592,351
Others	24	12,046	6,039
		<u>7,006,716</u>	<u>8,916,326</u>
Operating income		585,634	374,639
Non-operating income	25	148,640	78,670
Non-operating expense	25	(318,749)	(250,314)
Profit before income taxes		<u>415,525</u>	<u>202,995</u>
Income tax expense	30	94,863	48,464
Profit for the year		<u>320,662</u>	<u>154,531</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Continued)

For the years ended December 31, 2021 and 2020

<i>(In millions of won)</i>	<u>Note</u>	<u>2021</u>	<u>2020</u>
Other comprehensive income (loss) for the year, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Financial instruments measured at FVOCI	₩	(10,527)	5,463
Loss on valuation of investments in associates		7,686	(355)
Foreign currency translation adjustments for foreign operations		34,452	(19,904)
Effect of income tax expense		(4,267)	2,101
		<u>27,344</u>	<u>(12,695)</u>
Items that cannot subsequently be reclassified to Profit or Loss			
Gain on financial instruments measured at FVOCI		26,345	17,101
Adjustment to financial liabilities measured at FVTPL		(1,526)	(9,689)
Effect of income tax expense		(6,825)	(2,038)
		<u>17,994</u>	<u>5,374</u>
Total other comprehensive income (loss), net of tax		<u>45,338</u>	<u>(7,321)</u>
Total comprehensive income for the year	₩	<u>366,000</u>	<u>147,210</u>
Profit for the year attributable to:			
Equity holders of Shinhan Investment Corp.	₩	320,784	154,772
Non-controlling interest		(122)	(241)
	₩	<u>320,662</u>	<u>154,531</u>
Total comprehensive income attributable to:			
Equity holders of Shinhan Investment Corp.	₩	366,122	147,451
Non-controlling interest		(122)	(241)
	₩	<u>366,000</u>	<u>147,210</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

	Common stock	Hybrid securities	Consolidated capital surplus	Consolidated capital adjustments	Consolidated accumulated other comprehensive income	Consolidated retained earnings	Non-controlling interests	Total
<i>(In millions of won)</i>								
Balance at January 1, 2020	₩ 1,786,998	-	667,635	425	99,433	1,681,158	907	4,236,556
Profit for the year	-	-	-	-	-	154,772	(241)	154,531
Other comprehensive income (loss), net of income tax	-	-	-	-	2,788	(13,943)	-	(11,155)
Net change in unrealized fair value of financial instruments measured at FVOCI	-	-	-	-	16,343	-	-	16,343
Share of the other comprehensive loss of associates	-	-	-	-	(257)	-	-	(257)
Foreign currency translation differences	-	-	-	-	(16,382)	-	-	(16,382)
Adjustment to financial liabilities measured at FVTPL	-	-	-	-	(3,084)	(13,943)	-	(10,859)
Transactions recognized directly in equity								
Dividends	-	-	-	-	-	(7,391)	-	(7,391)
Change in share-based payment	-	-	-	1,551	-	-	-	1,551
Balance at December 31, 2020	₩ 1,786,998	-	667,635	1,976	102,221	1,814,596	666	4,374,092

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity (Continued)

For the years ended December 31, 2021 and 2020

<i>(In millions of won)</i>	Common stock	Hybrid securities	Consolidated capital surplus	Consolidated capital adjustments	Consolidated accumulated other comprehensive income	Consolidated retained earnings	Non- controlling interests	Total
Balance at January 1, 2021	₩ 1,786,998	-	667,635	1,976	102,221	1,814,596	666	4,374,092
Profit for the year	-	-	-	-	-	320,784	(122)	320,662
Other comprehensive income (loss), net of income tax	-	-	-	-	49,799	(6,153)	-	43,646
Net change in unrealized fair value of financial instruments measured at FVOCI	-	-	-	-	11,468	-	-	11,468
Share of the other comprehensive loss of associates	-	-	-	-	5,572	-	-	5,572
Foreign currency translation differences	-	-	-	-	29,404	-	-	29,404
Adjustment to financial liabilities measured at FVTPL	-	-	-	-	3,355	(6,153)	-	(2,798)
Transactions recognized directly in equity								
Issued of hybrid securities	-	300,024	-	-	-	-	-	300,024
Dividends	-	-	-	-	-	(7,391)	-	(7,391)
Interests of hybrid securities	-	-	-	-	-	(5,118)	-	(5,118)
Change in share-based payment	-	-	-	(426)	-	-	-	(426)
Balance at December 31, 2021	₩ 1,786,998	300,024	667,635	1,550	152,020	2,116,718	544	5,025,489

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

(In millions of won)

	2021	2020
Cash flows from operating activities		
Profit before income taxes	₩ 415,525	202,995
Adjustment for:		
Interest income	(669,530)	(701,830)
Interest expense	221,668	268,506
Dividend income	(47,164)	(33,503)
Net gain on valuation of financial instruments measured at FVTPL	(382,364)	(115,638)
Net gain on disposal of financial instruments measured at FVTPL	(6,169)	(33,302)
Net gain on disposal of financial instruments measured at FVOCI	10,837	(7,388)
Impairment loss on financial instruments measured at FVOCI		
Provisions for (reversal of) loan loss	80,135	111,797
Net gain(loss) on foreign exchanges	107,219	(102,405)
Depreciation	29,292	24,302
Amortization of intangible assets	9,717	7,664
Employee related expenses	19,913	1,524
Non-cash other operating expenses, net	1,573	2,077
Non-cash non-operating expenses, net	173,138	124,081
	<u>(451,735)</u>	<u>(454,115)</u>
Changes in assets and liabilities:		
Deposits measured at amortized cost	53,939	(251,455)
Financial instruments measured at FVTPL	(1,647,257)	(3,925,591)
Loan measured at amortized cost	(519,763)	(253,525)
Other financial assets	2,714,792	(5,140,319)
Other assets	(35,671)	(12,376)
Deposits liabilities	(224,263)	2,052,912
Provision	(2,348)	-
Other financial liabilities	(3,106,160)	5,064,091
Other liabilities	57,007	43,502
	<u>(2,709,724)</u>	<u>(2,422,761)</u>
Income taxes paid	(167,719)	(41,057)
Interests received	663,534	676,134
Interests paid	(211,670)	(258,143)
Dividends received	32,440	32,499
Net cash outflow from operating activities	<u>(2,429,349)</u>	<u>(2,264,448)</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2021 and 2020

(In millions of won)

	2021	2020
Cash flows from investing activities		
Disposal of financial instruments measured at FVTPL	₩ 809,265	1,178,165
Acquisition of financial instruments measured at FVTPL	(763,198)	(672,944)
Disposal of financial instruments measured at FVOCI	3,673,136	5,001,299
Acquisition of financial instruments measured at FVOCI	(2,385,688)	(4,924,826)
Proceeds from disposal of investments in associates	174,096	124,890
Acquisition of investments in associates	(85,927)	(431,494)
Proceeds from disposal of property and equipment	1,707	1,537
Acquisition of property and equipment	(39,265)	(23,638)
Proceeds from disposal of intangible assets	767	-
Acquisition of intangible assets	(37,576)	(14,367)
Proceeds from disposal of investment property	-	7,461
Acquisition of investment property	-	(237,067)
Net cash inflow from investing activities	1,347,317	9,016
Cash flows from financing activities		
Proceeds from borrowings	4,854,451	6,121,025
Repayment of borrowings	(4,452,083)	(3,142,267)
Rental payment	(8,112)	(7,313)
Dividends paid	(12,046)	(7,391)
Issuance of hybrid securities	300,024	-
Net cash inflow from financing activities	682,234	2,964,054
Effect of exchange rate fluctuations on cash and cash equivalents held	80,506	(99,657)
Increase(Decrease) in cash and cash equivalents	(319,292)	608,965
Cash and cash equivalents at the beginning of year	1,317,975	709,010
Cash and cash equivalents at the end of year	₩ 998,683	1,317,975

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

1. Reporting entity

General information of Shinhan Investment Corp. and its subsidiaries included in consolidation (collectively the “Group”) are summarized as follows:

(a) Controlling company

General information of Shinhan Investment Corp. (the “Company”) was established on April 2, 1973 under the name of HyoSeong Securities Co., Ltd. to engage in proprietary trading, underwriting and brokerage services. The Company changed its name from Good Morning Shinhan Securities Co., Ltd. to Shinhan Investment Corp. on August 24, 2009. The Company is wholly owned by Shinhan Financial Group Co., Ltd. and operates through 78 branches, 4 sales offices, and 2 overseas offices as of December 31, 2021.

Since December 28, 2005, the Company has been in the trust business pursuant to the Korea Trust Business Law. Assets under trust management amounted to ₩25,506,737 million as of December 31, 2021 and the related fee income amounted to ₩14,519 million for the year ended December 31, 2021.

(b) Scope of consolidation

(i) Subsidiaries

Ownership of the Company’s major consolidated subsidiaries except special purpose entities as of December 31, 2020 are as follows:

Investor	Investee	Location	Closing month	Ownership (%)
Shinhan Investment Corp.	Shinhan Investment America Inc.	USA	December	100.0
"	Shinhan Investment Asia Ltd.	Hong Kong	December	100.0
"	Shinhan Securities Vietnam Co., Ltd	Vietnam	December	100.0
"	PT. Shinhan Sekuritas Indonesia	Indonesia	December	99.0
PT. Shinhan Sekuritas Indonesia	PT Shinhan Asset Management Indonesia	Indonesia	December	75.0

(ii) Consolidated structured entities

Consolidated structured entities are as follows:

Category	Consolidated structured entities	Description
Asset-Backed Securitization	Mainstream 4th Co., Ltd and 115 others	An entity for asset backed securitization is consolidated when the Group has the ability to dispose assets or change the conditions of the assets, is exposed to variable returns and has the ability to affect the variable returns providing credit enhancement and purchases of subordinated securities.
Investment Fund	JB Sangam Private Real Estate Investment Trust No.1 and 37 others	An investment fund is consolidated, when the Group manages or invests assets of the investment funds on behalf of other investors, or has the ability to dismiss the manager of the investment funds, and is exposed to, or has rights to, the variable returns.

(iii) The Group holds more than a majority of the ownership interests of Kiwoom Milestone US Specialized Private Investment Trust No.16-C and other investment trusts but does not have the power over relevant activities in accordance with agreements with trust and other shareholders; therefore, these entities are not consolidated.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

1. Reporting entity (continued)

(c) Changes in consolidated subsidiaries

Changes in consolidated subsidiaries during the years ended December 31, 2021 and 2020 are as follows:

① Consolidated subsidiaries included in the consolidated financial statements as of December 31, 2021 are as follows:

Category	Subsidiaries	Reason for conclusion
Asset-Backed Securitization	Incheon Lu1 Co., Ltd and 42 others	Exposure to power and variable returns (Korean IFRS 1110 Paragraph 7)
Investment Fund	Coremezzanine PJT Specialized Private Investment Trust No. 2 and 5 others	

② Subsidiaries excluded from the consolidated financial statements for the year ended December 31, 2021.

Category	Subsidiaries	Reason for exclusion
Asset-Backed Securitization	Global Edition 4 th and 45 others	Transaction ended during the current period
Investment Fund	Genesis environment 1 st PEF and 12 others	Disposed during the current period and decrease in power

③ Consolidated subsidiaries included in the consolidated financial statements as of December 31, 2020 are as follows:

Category	Subsidiaries	Reason for conclusion
Asset-Backed Securitization	DMC 3rd Co., Ltd and 44 others	Exposure to power and variable returns (Korean IFRS 1110 Paragraph 7)
Investment Fund	Kiwoom Milestone US Specialized Private Investment Trust No.22 and 9 others	

④ Subsidiaries excluded from the consolidated financial statements for the year ended December 31, 2020.

Category	Subsidiaries	Reason for exclusion
Asset-Backed Securitization	BL Energy 2 nd Co., Ltd and 38 others	Transaction ended during the prior period
Investment Fund	Astra CIRCLE Specialized Private Investment Trust No.1 and 13 others	Disposed during the prior period

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(In millions of won)

1. Reporting entity (continued)

(d) Summary of financial statements

① As of December 31, 2021 and 2020, the summarized statements of financial position of the Company and its consolidated subsidiaries is as follows:

(In millions of won)	2021			2020		
	Asset	Liability	Equity	Asset	Liability	Equity
Shinhan Investment Corp. (separate)	₩ 40,955,394	35,985,194	4,970,200	42,980,794	38,619,959	4,360,835
Shinhan Investment America Inc.	7,147	501	6,646	5,209	690	4,519
Shinhan Investment Asia Ltd.	128,411	946	127,465	112,765	168	112,597
Shinhan Securities Vietnam Co., Ltd.	154,611	47,256	107,355	70,113	26,856	43,257
PT Shinhan Securitas Indonesia (*1)	28,705	6,318	22,387	33,710	12,592	21,118
MSTREAM PFV	110,111	123,062	(12,951)	111,996	120,971	(8,975)
Shinhan Douzone Wehago 1st Co., Ltd	61,575	61,094	481	80,145	66,820	13,325
Specified Money Trusts Multi Asset	-	-	-	100,002	-	100,002
GlobalPrivateDebt Special Investment Private Trust No.9	34,463	15	34,448	126,312	1,249	125,063
KIAMCO US Utopia Trust (*2)	-	-	-	128,880	51	128,829
Global Solution 10th Co., Ltd	82,377	84,700	(2,323)	81,051	83,600	(2,549)
Valueplusmidstream	116,560	113,500	3,060	120,803	121,800	(997)
Shinhan Dining 1st Co., Ltd	85,164	77,175	7,989	76,362	72,100	4,262
Shinhan Biomess 1st Co., Ltd	94,147	96,055	(1,908)	96,540	96,500	40
Shinhan MGH 1st Co., Ltd	36,600	36,000	600	131,845	128,343	3,502
Shinhan Utopia 1st Andy Warhol 1st Co., Ltd	44,375	44,200	175	173,738	171,500	2,238
Fridakalo 1st Corp.	28,658	28,200	458	30,707	30,502	205
LAM Enhanced Trade Finance Fund II L.P.	119,614	124,100	(4,486)	118,488	120,100	(1,612)
Sprott Global Renewable Private Equity Fund III (*3)	157,857	-	157,857	161,173	-	161,173
PAMCO CR-REIT X VII	104,768	813	103,955	111,052	12	111,040
Teosewoon 4th Corp.(*2)	240,119	227,668	12,451	244,540	227,408	17,132
Garda 1st Co., Ltd	-	-	-	160,013	160,013	-
Chance sewoon	18,711	18,630	81	90,664	88,597	2,067
Hybrid sewwon	182,468	181,843	625	-	-	-
EMT Solution 1 st Co., Ltd	111,187	111,080	107	-	-	-
	80,735	80,656	79	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

1. Reporting entity (continued)

(d) Summary of financial statements (continued)

① As of December 31, 2021 and 2020, the summarized statements of financial position of the Company and its consolidated subsidiaries is as follows (continued)::

(*1) PT Shinhan Asset Management Indonesia is a consolidated Financial information of PT Shinhan Asset Management Indonesia an intermediate controlling company.

(*2) KIAMCO US Utopia Trust and Teosewoon 4th corp are not consolidated.

(*3) The consolidated financial information of the intermediate parent company that includes Sprott Global Renewable Private Equity Fund III.

(*4) Criteria of significant Subsidiary

- Subsidiary with assets totaling more than 10% of the assets of the parent company at the end of the recent business year

- Subsidiaries with assets of 75 billion won or more at the end of the recent business year

Overseas subsidiary was not applicable the requirements of significant subsidiaries, but included because it carry out operating activities. Investment funds, SPC, PEF, unions were excluded because it doesn't carry out operation activities.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

1. Reporting entity (continued)

(d) Summary of financial statements (continued)

② Summarized statements of comprehensive income for the Company and its consolidated subsidiaries for the years ended December 31, 2021 and 2020 is as follows:

		2021			2020		
		Operating income	Profit for the year	Total comprehensive income	Operating income	Profit for the year	Total comprehensive income
Shinhan Investment Corp. (separate)	₩	7,452,611	313,606	323,968	9,084,398	149,019	158,396
Shinhan Investment America Inc.		3,265	1,663	2,127	2,216	399	101
Shinhan Investment Asia Ltd.		8,154	5,440	14,867	3,730	(589)	(3,347)
Shinhan Securities Vietnam Co., Ltd		7,305	2,040	7,136	5,697	1,697	(942)
PT Shinhan Sekuritas Indonesia (*1)		4,903	282	1,394	7,389	(3,062)	(4,523)
MSTREAM PFV		4,950	(3,976)	(3,976)	1,757	(7,234)	(7,234)
Shinhan Douzone Wehago 1st Co., Ltd		1,860	(12,845)	(12,845)	19,172	15,828	15,828
Specified Money Trusts		-	-	-	2	2	2
Multi Asset GlobalPrivateDebt Special Investment Private Trust No.9		8,778	3,217	3,217	20,373	4,610	4,610
KIAMCO US Utopia Trust (*2)		-	-	-	23,491	4,155	4,155
Global Solution 10th Co., Ltd		3,813	226	226	4,253	(2,091)	(2,091)
Valueplusmidstream		5,971	4,057	4,057	487	(1,091)	(1,091)
Shinhan Dining 1st Co., Ltd		4,202	3,726	3,726	6,429	3,801	3,801
Shinhan Biomess 1st Co., Ltd		(561)	(1,947)	(1,947)	1,579	(670)	(670)
Shinhan MGH 1st Co., Ltd		4,013	(2,902)	(2,902)	6,951	3,834	3,834
Shinhan Utopia 1st Andy Warhol 1st Co., Ltd		5,326	(2,063)	(2,063)	6,918	2,801	2,801
Fridakalo 1st Corp.		1,493	254	254	1,647	585	585
LAM Enhanced Trade Finance Fund II L.P.		-	(2,874)	(2,874)	2,939	(1,612)	(1,612)
Sprott Global Renewable Private Equity Fund III (*3)		-	(17,143)	(7,118)	-	(172,879)	(177,965)
PAMCO CR-REIT X VII		7,183	(10,893)	(10,893)	10,696	(1,796)	(1,796)
Teosewoon 4th Corp.		9,925	(3,518)	(3,518)	6,998	(5,118)	(5,118)
Garda 1st Co., Ltd		-	-	-	3,933	-	-
Chance sewoon		3,269	(1,985)	(1,985)	2,592	2,067	2,067
Hybrid sewwon		11,953	625	625	-	-	-
EMT Solution 1 st Co., Ltd		6,975	107	107	-	-	-
		333	80	80	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

1. Reporting entity (continued)

(d) Summary of financial statements (continued)

- ② Summarized statements of comprehensive income for the Company and its consolidated subsidiaries for the years ended December 31, 2021 and 2020 is as follows (continued):

(*1) PT Shinhan Asset Management Indonesia is a consolidated Financial information of PT Shinhan Asset Management Indonesia an intermediate controlling company.

(*2) KIAMCO US Utopia Trust and Teosewoon 4th corp are not consolidated.

(*3) The consolidated financial information of the intermediate parent company that includes Sprott Global Renewable Private Equity Fund III.

(*4) Criteria of significant Subsidiary

- Subsidiary with assets totaling more than 10% of the assets of the parent company at the end of the recent business year

- Subsidiary with assets of 75 billion won or more at the end of the recent business year

Overseas subsidiary was not applicable to the requirements of significant subsidiaries, but included because it carries out operating activities. Investment funds, SPC, PEF, unions were excluded because it does not carry out operation activities.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

2. Basis of preparation

(a) Statement of compliance

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS as prescribed in the Act on External Audit of Stock Companies. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2021.

(i) Amendments to Korean IFRS 1116 Leases – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Lessee should account for changes in the lease payments due to rent concession, etc. consistent with how this standard specifies when such a change is not a lease modification. These amendments do not have a significant impact on the consolidated financial statements.

(ii) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contract and Korean IFRS 1116 Leases – Interest Rate Benchmark Reform

These revised amendments provide exceptions to apply in the analysis of future prospects for hedge accounting even though interest rate benchmark reform gives rise to uncertainties. The exceptions assumes that the interest rate indicators that are subject to the interest rate benchmark reform do not change when assessing whether the expected cash flows from existing interest rate indicators are highly probable, whether there is an economic relationship between the hedged item and the hedging instrument and whether there is a high hedge effect between the two. These amendments do not have a significant impact on the consolidated financial statements.

Details of financial instruments that have not been converted to alternative interest rate benchmark as of December 31, 2021, are as follows:

- Non-derivative financial assets

		Book value to conversion to alternative interest rate benchmark			
		USD LIBOR	JYP LIBOR	EUR LIBOR	Other LIBOR
Financial asset can be designated as a FVTPL					
Securities	₩	223,177	-	-	-
Commitment and guarantees contracts		77,058	-	51,021	-
Total	₩	<u>300,235</u>	<u>-</u>	<u>51,021</u>	<u>-</u>

- Non-derivative financial liability

		Book value to conversion to alternative interest rate benchmark			
		USD LIBOR	JYP LIBOR	EUR LIBOR	Other LIBOR
Financial liability can be designated as a FVTPL					
Securities Sold	₩	15,000	-	-	-
Total	₩	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

- Derivative

		Book value to conversion to alternative interest rate benchmark			
		USD LIBOR	JYP LIBOR	EUR LIBOR	Other LIBOR
Available-for-sale					
Interest	₩	1,421,637	-	-	-
Stock		268,243	-	-	-
Credit		1,108	-	-	-
Others		379,360	-	-	-
Total	₩	<u>2,070,349</u>	<u>-</u>	<u>-</u>	<u>-</u>

The following amended standards have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group.

(i) Amendments to Korean IFRS 1116 Leases – Discounts related to COVID-19 on leases offered after June 30, 2021

The scope of the practical expedient, which prevents the evaluation of rent concession, etc. that occurs as a direct consequence of COVID-19, has been expanded to reduce lease payments that affect the lease payments to be paid before June 30, 2022. These amendments will take effect in the year after April 1, 2021, and earlier application is permitted. The Group expects the amendment to have no significant impact on its financial statements.

(ii) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and Korean IFRS 2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(iii) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(iv) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

(v) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(vi) Enactment of Korean IFRS 1117 Insurance Contracts

Korean IFRS 1117 *Insurance Contracts* will replace Korean IFRS 1104 *Insurance Contracts*. This standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (refunds due to termination and maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and net insurance income and net investment income are presented separately to enable users of the information to understand the sources of income or expenses. The amendments should be applied retrospectively for annual periods beginning on or after January 1, 2023, and earlier application is permitted for the entity that applies Korean IFRS 1109. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(vii) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Accounting Policy Disclosure

The amendments require an entity to define and disclose their material accounting policy information. IFRS Practice Statement 2 *Making Materiality Judgements* was amended to explain and demonstrate how to apply the concept of materiality.

The amendments should be applied retrospectively for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements

(viii) Amendments to Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. The amendments should be applied retrospectively for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements

(ix) Amendments to Korean IFRS 1012 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments should be applied retrospectively for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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2. Basis of preparation (continued)

(a) Statement of compliance (continued)

(x) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- Korean IFRS 1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 Leases – Lease incentives
- Korean IFRS 1041 Agriculture – Measuring fair value

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

2. Basis of preparation (continued)

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value
- other comprehensive income at fair values are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value

(c) Functional and presentation currency

These consolidated financial statements are presented in Korean won which is the Company's functional currency and the currency of the primary economic environment in which the Group operates. The subsidiaries whose functional currencies are different from the Company's are as follows:

Subsidiaries	Functional Currency
Shinhan Investment America Inc.	USD
Shinhan Investment Asia Ltd.	HKD
Shinhan Securities Vietnam Co., LTD	VND
PT. Shinhan Sekuritas Indonesia	IDR
PT. Shinhan Asset Management Indonesia	IDR

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with Korean IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(i) Income taxes

Within the normal business process, there are various types of transactions and different accounting methods that may add uncertainties to the determination of final income taxes. The Group has recognized current and deferred tax that reflect tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, actual income taxes in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the period when the final tax effect is confirmed.

(ii) Fair value of financial instruments

The fair values of financial instruments which are not actively traded in the market are determined by using valuation techniques. The Group determines valuation methods and assumptions based on significant market conditions at the end of each reporting period. Diverse valuation techniques are used to determine the fair value of financial instruments, from general market accepted valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

(iii) Allowances for credit loss

The Group determines and recognizes allowances for credit losses on loans through impairment testing. The accuracy of provisions for credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for groups of loans.

(iv) Provisions

The Group recognizes a provision considering risks and uncertainty under the given circumstance of the event. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the amount needs to be updated.

(e) Approval of consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on February 7, 2022, which will be submitted for approval to the stockholder's meeting to be held on March 22, 2022.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

3. Significant accounting policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the certain standards and amendments applied for the first time, which are effective for annual periods beginning on or after January 1, 2021.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for identical transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

(ii) Structured entity

The Group establishes or invests in various structured entities. A structured entity is an entity designed so that its activities are not governed by way of voting rights. When assessing control of a structured entity, the Group considers factors such as the purpose and the design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee. The Group does not recognize any non-controlling interests in the consolidated statements of financial position since the Group's interests in these entities are recognized as liabilities of the Group.

(iii) Transactions eliminated on consolidations

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

(iv) Non-controlling interests

Non-controlling interests in a subsidiary are accounted separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

(v) Changes in the parent company's ownership interest in a subsidiary

Changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the parent company.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(b) Associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions.

The investment in associates and joint ventures is accounted using the equity method and is initially recognized at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control is lost.

If an associate or a joint venture uses accounting policies different from those of the Group for transactions and events in similar circumstances, appropriate adjustments are made to its financial statements.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee.

(c) Business combinations

(i) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with Korean IFRS 1012 income taxes
- Employee benefit arrangements are recognized and measured in accordance with Korean IFRS 1019 employee benefits
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured on the basis of the remaining contractual terms of the related contract
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in Korean IFRS 1102 share-based payment
- Assets held for sale are measured at fair value less costs to sell in accordance with Korean IFRS 1105 non-current assets held for sale

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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3. Significant accounting policies (continued)

(c) Business combinations (continued)

(i) Business combinations (continued)

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquiree's employees that are included in consideration transferred in the business combination shall be measured in accordance with the method described above rather than at fair value.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with Korean IFRS 1032 Financial Instruments: Presentation and Korean IFRS 1039 Financial Instruments: Recognition and Measurement

(ii) Goodwill

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, bargain purchase gain is recognized immediately in profit or loss.

When the Group additionally acquires non-controlling interest, the Group does not recognize goodwill since the transaction is regarded as equity transaction.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined, while those measured at historical cost are retranslated at the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation of monetary items are recognized in profit or loss. On the other hand, foreign currency difference arising on retranslation of non-monetary items is recognized in other comprehensive profit or loss / profit and loss, if profit and loss arising on the asset is recognized in other comprehensive profit or loss / profit and loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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3. Significant accounting policies (continued)

(d) Foreign currency (continued)

(ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to won at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to won at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(iii) Net investment in a foreign operation

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognized in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

(e) Cash and cash equivalents

Cash and cash equivalents comprise balances with cash in hand, deposits held at call with banks and other short-term highly liquid investments with insignificant risk of changes in their fair value. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares acquired within a short period of their maturity and with a specified redemption date.

(f) Non-derivative financial assets

(i) Recognition and initial measurement

Financial assets are measured at fair value at the time of initial recognition, and in the case of non-current financial assets at fair value through profit or loss, the transaction cost directly related to the acquisition of the financial asset is added or decreased to the fair value.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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3. Significant accounting policies (continued)

(f) Non-derivative financial assets (continued)

(ii) Classification and subsequent measurement

At the time of initial recognition, financial assets are classified to be measured at amortized cost, FVTPL and FVTOCI. Financial assets are not reclassified after initial recognition unless the Group changes the business model that manages the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period after the business model is changed.

Financial assets are measured at amortized cost when both of the following conditions are met and they are not designated as fair value through profit or loss:

- It is held under the business model whose purpose is to hold cash flows under contract
- Depending on the terms and conditions of the financial assets, cash flows consisting only of interest payments on principal and principal balances occur on certain days

If a debt instrument satisfies two conditions and is not designated as a fair value through profit or loss, it is measured in other comprehensive income and fair value.

- Retains financial assets under a business model that achieves its purpose through both contractual cash flow receipts and financial asset sales
- Depending on the terms and conditions of the financial assets, cash flows consisting only of principal and interest payments occur on certain days

Any financial assets that are not measured at amortized cost or FVTOCI are measured at fair value through profit or loss. These financial assets include all derivative financial assets. At the time of initial recognition, if the Group designates financial assets measured at amortized cost or FVTOCI as FVTPL, the financial asset can be designated as a FVTPL when accounting mismatches are eliminated or significantly reduced. However, once specified, it cannot be cancelled.

(iii) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a consolidated asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(iv) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legal enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(g) Impairment of financial assets

The Group evaluates expected credit loss on financial assets measured at amortized cost and debt instruments measured at FVOCI.

The Group measures the provision at an amount equal to lifetime expected credit losses, except for the following financial assets measured at 12-month expected credit losses:

- Debt securities determined at the end of the reporting period that the credit risk is low
- Other debt securities of which credit risks have not increased significantly since initial recognition (the risk of default occurring over the expected life of the financial asset)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes qualitative, quantitative information and analysis based on our experience and known credit evaluation, including future oriented information.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received). Expected credit losses are discounted at the effective interest rate of the relevant financial asset.

At the end of each reporting period, the Group assesses whether the credit on financial assets measured at amortized cost and on debt securities measured at fair value through other comprehensive income are impaired. If one or more events occur that adversely affect the estimated future cash flows of the financial asset, the financial asset is considered as credit-impaired.

Evidence that financial asset is credit-impaired includes observable information as follow:

- Significant financial difficulties of the issuer or borrower
- Breach of contract, such as default in debt or past due of 90 days or more
- Inevitable mitigation of the original loan terms for economic or contractual reasons related to the financial difficulties of the borrower
- Borrowers are more likely than not to bankrupt or possibility of other financial restructuring is high
- Active markets for financial assets become inactive due to financial difficulties

The loss allowance for financial assets measured at amortized cost is deducted from the carrying amount of those assets. For debt instruments measured at fair value through other comprehensive income, the loss allowance is included in profit or loss and recognized in other comprehensive income.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(h) Property and equipment

Property and equipment initially are measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The Group recognizes in the carrying amount of an item of property and equipment the cost of replacing part of property and equipment when that cost is incurred if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Land is not depreciated. Other property and equipment are depreciated on a straight-line basis over the estimated useful lives, which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and the gain or loss is recognized as ‘non-operating income (expenses)’.

The estimated useful lives of the Group’s assets are as follows:

Descriptions	Useful lives
Buildings	40~60 years
Vehicles	5 years
Furniture and fixtures	4 years
Other property and equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The change is accounted for as a change in an accounting estimate.

(i) Intangible assets

Intangible assets are measured initially at cost and after initial recognition are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which memberships and Settlement system right of use are expected to be available for use, these intangible assets are determined as having indefinite useful lives and not amortized.

Descriptions	Useful lives
Computer software	4 years
Others	5 years
Memberships	Indefinite useful lives
Settlement system right of use	Indefinite useful lives

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(i) Intangible assets(continued)

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Memberships and settlement system right of use have an indefinite useful life. Settlement system right of use refers to the right to engage in settlement system as a member of the settlement system, and the asset has no limited period of rights, and the Group intends to continue to engage in settlement payments. It is classified as an intangible asset with an indefinite useful life.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(j) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

The estimated useful lives and depreciation methods of the Group's assets in the current period and prior period are as follows:

Description	Useful life	Depreciation method
Buildings	40~60 years	Straight-line method

(k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than arising from employee benefits, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of each cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(l) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss (the "Financial liabilities at FVTPL")

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

If the designation of a financial asset eliminates or significantly reduces the recognition and measurement inconsistencies that may arise from the measurement of assets or liabilities on a different basis or recognition of gains or losses, a financial asset can be designated as fair value through profit or loss. However, it cannot be canceled once designated. Changes in fair value resulting from changes in self-credit risk of financial liability at fair value through profit or loss are recognized in other comprehensive income.

(ii) Financial liabilities measured at amortized cost

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as financial liabilities measured at amortized cost. At the date of initial recognition, financial liabilities measured at amortized cost are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(m) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference shares that do not provide for redemption or at the option of the issuer and when distributions to holders of a preference shares are at the discretion of the issuer, is classified as equity. Dividends are recognized when approved by a general meeting of shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(o) Share-based payment transactions

The Group has granted shares or share options to its employees and other parties. For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot reliably estimate the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Group measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(p) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(q) Financial income and financial expense

(i) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, and all other premiums or discounts. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commission

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument.

① Fees that are an integral part of the effective interest rate of a financial instrument

Such fees are generally treated as an adjustment to the effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, preparing and processing documents, closing the transaction and the origination fees received on issuing financial liabilities. However, when the financial instrument is measured at fair value with the change in fair value recognized in profit or loss, the fees are recognized as revenue when the instrument is initially recognized.

② Fees earned as services are provided

Fees and commission income, including investment management fees, sales commission, and account servicing fees, are recognized as the related services are provided.

③ Fees that are earned on the execution of a significant act

The fees that are earned on the execution of a significant act including commission on the allotment of shares or other securities to a client, placement fee for arranging a loan between a borrower and an investor and sales commission, are recognized as revenue when the significant act has been completed.

(iii) Dividends

Dividend income is recognized when the right to receive income is established.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(r) Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Shinhan Financial Group Co., Ltd., the parent company, files its national income tax return with the Korean tax authorities under the consolidated corporate tax system, which allows it to make national income tax payments based on the consolidated profits or losses of the Shinhan Financial Group Co., Ltd. and its wholly owned domestic subsidiaries including the Company. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected profits or losses of eligible companies in accordance with the consolidated corporate tax system. Consolidated corporate tax amounts, once determined, are allocated to each of the subsidiaries and are used as a basis for the income taxes to be recorded in their separate financial statements.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. If any additional income tax expense exists by payment of dividends, the Group recognizes it when the liability relating to the payment is recognized.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(s) Leases

i) Accounting treatment as the lessee

The Group leases various tangible assets, such as real estate and vehicles and the terms of the lease are negotiated individually and include a variety of terms and conditions. There are no other restrictions imposed by the lease contracts, but the lease assets cannot be provided as collaterals for the borrowings.

At the commencement of the lease, the Group recognizes the right-of-use assets and the lease liabilities. The payment of each lease is allocated to the repayment of the liability and financial cost. The Group recognizes in profit or loss the amount calculated to produce a constant periodic rate of interest on the lease liability balance for each period as financial cost. Right-of-use assets are depreciated using a straight-line method from the inception of the lease over the lease term of the right-of-use assets.

Lease liabilities are measured at present value of the lease payments not paid as of the beginning of the lease, and the lease payments included in the measurement of the lease liabilities consist of as following payments:

- Fixed payments (including in-substance fixed payments, less any lease incentives receivable)
- Variable lease payments depending on the index or rate
- Amount expected to be paid by the lessee under the residual value guarantee
- Exercise price of a purchase option if it is reasonably certain that the lessee will exercise the option
- Amount to be paid to terminate a lease if the lease term reflects the lessee's exercising an option to terminate the lease

If the intrinsic interest rate is easily determined, the lease payments be discounted by the rate, and if the rate is not readily determined, the lessee's incremental borrowing rate is used.

The cost of right-of use assets comprise:

- Amount of the initial measurement or the lease liability
- Lease payments made at or before the commencement date (lease incentives received are deducted)
- Lease initial direct costs incurred by the lessee
- Estimates of the costs incurred by the lessee in dismantling and removing the underlying asset, restoring site on which is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Lease payments related to short-term leases or low-value leases are recognized as current expenses over the lease term using the straight-line method.

Additional considerations for the Group when accounting for lessees include:

- Extension and termination options are included in a number of real estate lease contracts of the Group.
- In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive not to exercise the options.
- The periods covered by, a) an option to extend the lease if the lessee is reasonably certain to exercise that option, or b) an option to terminate the lease if the lessee is reasonably certain not to exercise that option, is included when determining the lease term.
- The Group reassesses whether the Group is reasonably certain to exercise the extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee, and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(s) Leases (continued)

ii) Accounting treatment as the lessor

① Finance lease

In the case of assets held under a finance lease, the Group records it as a receivable at an amount equal to the net investment in the lease, and the difference from the carrying amount of the leasing asset as of the lease execution date is recognized as profit or loss from disposal of the lease asset. In addition, interest income is recognized by applying the effective interest method for the amount of the Group's net investment in finance leases. Lease-related direct costs are included in the initial recognition of financial lease receivables and are accounted for in a way that reduces the revenue for the lease term.

② Operating lease

In the case of assets held under an operating lease, the lease payments are recognized as income on straight-line basis, and the lease initial direct costs incurred during negotiation and contract phase of the operating lease are recognized as separate assets, initial direct cost. In addition, depreciation of operating lease assets is treated the same as depreciation of other similar assets owned by the Group.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies (continued)

(t) Operating segments

All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has five reportable segments which consist of retail, wholesale, investment bank(IB), trading, and others, as described in note 29.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(u) Financial guarantee contract

A financial guarantee contract is a contract that the issuer must pay compensate for losses incurred by the holder due to the failure of a specific creditor to pay the due date on the original contract or modified terms of the debt instrument. Financial guarantee contracts are measured at fair value at initial recognition and are included in the provision for payment guarantees. Fair value is amortized over the period.

After initial recognition, it is measured as the greater of:

- Loss provision calculated in accordance with Korean IFRS 1109, 'Financial Instruments'
- The amount initially recognized, net of accumulated profits recognized in accordance with Korean IFRS 1115, 'Revenue from contracts with customers'

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

4. Cash and due from banks

(a) Details of cash and due from banks measured at amortized cost as of December 31, 2021 and 2020 are summarized as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	Cash on hand	₩ 570	1,519
	Current deposits	28,652	156,488
	Demand deposits	60,242	105,950
	Time deposits	22,002	2
	Foreign currency deposits	887,115	1,028,607
	Others	102	25,409
		<u>998,683</u>	<u>1,317,975</u>
Due from banks measured at amortized cost in won	Time deposits	118,202	71,204
	Restricted time deposits	752,000	502,000
	Subscription deposits	447	19,742
	Reserve for claims of customers' deposits	70,100	407,800
	Guarantee deposits for stock borrowing for KSFC	1,932	63
	Guarantee deposits for KSFC trading	13,000	9,000
	Gold deposits	9,500	8,300
	Performance guarantee deposits	78,630	157,384
	Payment deposits	1,000	1,000
	Deposits for checking accounts	69	62
	Others	170	9,804
		<u>1,045,050</u>	<u>1,186,359</u>
Due from banks measured at amortized cost in foreign currency	Time deposits	28,565	124,636
	Reserve for claims of customers' deposits	462,585	183,620
	Deposit for foreign trading derivatives	573,622	604,696
	Others	-	1,507
		<u>1,064,772</u>	<u>914,459</u>
		<u>₩ 3,108,505</u>	<u>3,418,793</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

4. Cash and due from banks (continued)

(b) Restricted due from banks as of December 31, 2021 and 2020 are as follows:

	Placed at	December 31, 2021	December 31, 2020	Restriction
Time deposits	Shinhan Bank, etc.	₩ 180,000	137,000	Collateral for a bank overdraft facility
	Korean Securities Finance Corporation, etc.	477,000	330,000	Collateral for lending/borrowing securities
	Shinhan Bank	5,000	5,000	Collateral for the small amount of payment
	Korean Securities Finance Corporation	90,000	30,000	Collateral for derivatives-combined bonds
Subscription deposits	Woori Bank, etc	447	19,742	Subscription deposits
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	532,685	591,420	(*)
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation	2,080,626	1,907,210	(*)
Guarantee deposits for stock borrowing for KSFC	Korean Securities Finance Corporation	1,932	63	Guarantee deposits for stock borrowing for KSFC
Guarantee deposits for stock KSFC trading	Korean Securities Finance Corporation	13,000	9,000	Guarantee deposits for stock KSFC trading
Gold deposits	Korean Securities Finance Corporation	9,500	8,300	Deposits for gold transactions
Other deposits in won	Korean Securities Finance Corporation	78,630	157,384	Payment deposits
	Shinhan Bank, etc.	69	62	Deposit for checking accounts
	NH Investment & Securities Co., LTD, etc.	1,170	10,804	Deposit for trading derivatives
Other deposits in foreign currency	Merrill Lynch International, etc.	413,884	391,865	Collateral for trading foreign futures
	Shinhan bank	38,521	29,708	Collateral for trading foreign futures
	Deutsche Securities	121,217	183,123	Collateral for trading securities
	Others	-	1,507	Collateral for FX
		₩ 4,043,681	3,812,188	

(*) Pursuant to the Article 74 of the Act on Capital Markets and Financial Investment Business and Article 4-39 of the Regulations for Financial Investment Business, the Group is required to deposit certain portions of customers' deposits with the Korean Securities Finance Corporation ("KSFC") or banks to ensure repayment of customer deposits.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

5. Financial assets at fair value through profit or loss

(a) Details of financial assets measured at FVTPL as of December 31, 2021 and 2020 are summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Securities measured at FVTPL	₩ 24,737,291	22,869,193
Deposits and loan receivables measured at FVTPL	2,741,070	3,014,861
Derivative assets	762,862	895,520
	<u>₩ 28,241,223</u>	<u>26,779,574</u>

(b) Details of securities measured at FVTPL as of December 31, 2021 and 2020 are summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Securities measured at FVTPL in won		
Government bonds	₩ 2,378,934	2,209,920
Local bonds	101,465	102,658
Financial bonds	8,844,088	8,502,226
Corporate bonds	4,887,510	4,990,131
Corporate commercial papers	1,646,683	1,042,546
Stocks	856,979	548,978
Collective investment securities	1,923,171	2,034,819
Financial instruments with put option (Stocks)	376,116	344,921
Financial instruments with put option (Equity Investment)	376,976	262,665
Derivatives-linked securities	147,050	248,997
Hybrid bonds	415,424	420,143
Others	82,504	9,500
	<u>22,036,900</u>	<u>20,717,504</u>
Securities measured at FVTPL in foreign currency		
Bonds	1,923,861	1,538,129
Stocks	91,809	100,539
Collective investment securities	584,508	439,984
Financial instruments with put option (Stocks)	22,436	14,219
Financial instruments with put option (Equity Investment)	77,777	58,818
	<u>2,700,391</u>	<u>2,151,689</u>
	<u>₩ 24,737,291</u>	<u>22,869,193</u>

(c) Details of loans and receivables measured at FVTPL as of December 31, 2021 and 2020 are summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Korean Won		
Loan receivables	₩ 126,346	251,065
Reserve for claims on customers' deposits (trust)	2,080,626	1,907,210
	<u>2,206,972</u>	<u>2,158,275</u>
Foreign Currency		
Loan receivables	534,098	856,586
	<u>₩ 2,741,070</u>	<u>3,014,861</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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5. Financial assets at fair value through profit or loss (continued)

(d) Details of derivative assets as of December 31, 2021 and 2020 are summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 26,272	33,252
Equity	30,172	122,120
Credit	60,789	64,548
Commodity	13,283	5,949
	<u>130,516</u>	<u>225,869</u>
Exchange traded:		
Equity	1,874	14,877
	<u>132,390</u>	<u>240,746</u>
Derivatives in foreign currency		
Over the counter:		
Interest rate	15,955	27,205
Currency	170,193	307,938
Equity	1,697	142
Credit	433,040	209,030
	<u>620,885</u>	<u>544,315</u>
Exchange traded:		
Interest rate	1,685	900
Currency	12	90
Equity	5,202	97,888
Commodity	2,688	11,581
	<u>9,587</u>	<u>110,459</u>
	<u>630,472</u>	<u>654,774</u>
	₩ <u>762,862</u>	<u>895,520</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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6. Financial assets measured at FVOCI

(a) Details of financial assets measured at FVOCI as of December 31, 2021 and 2020 are summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Debt securities		
Government bonds	₩ 125,440	437,430
Financial bonds	697,231	1,234,503
Corporate bonds	310,936	782,705
	<u>1,133,607</u>	<u>2,454,638</u>
Equity securities		
Stocks (*1)	227,691	181,642
	<u>₩ 1,361,298</u>	<u>2,636,280</u>

(*1) There is no disposition of equity securities designated as OCI-fair value items during the period. At disposal, the related G / L on disposal of accumulated OCI is reclassified to retained earnings and not reclassified to profit or loss. Dividend income from equity securities amounted to ₩ 5,353 million and ₩ 3,810 million for the years ended December 31, 2021 and 2020, respectively.

(b) Changes in carrying amount of debt securities measured at FVOCI as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Debt securities	
	(expected credit loss for 12 months)	
Beginning	₩ 2,454,638	2,526,671
Acquisition	2,306,933	4,923,946
Valuation and effective interest amortization	(5,648)	2,473
Disposal	(3,624,921)	(4,993,912)
Others	2,605	(4,540)
Ending	<u>₩ 1,133,607</u>	<u>2,454,638</u>

(c) Changes in loss provision of debt securities measured at FVOCI are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Debt securities	
	(expected credit loss for 12 months)	
Beginning loss provision	₩ 1,143	1,094
Transfer loss provision (Reversal)	(256)	49
Others	244	-
Ending loss provision	<u>₩ 1,131</u>	<u>1,143</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates

(a) Details of investments in associates as of December 31, 2021 and 2020 are as follows:

				December 31, 2021		December 31, 2020
	Location	Ownership		Acquisition cost	Book value	Book value
IGIS GLIP Alternative Special Investment Private 1-1 (*1)	Rep. of Korea	88.18%	₩	44,967	53,511	40,188
IGIS GLIP Alternative Special Investment Private 1-2 (*1)	Rep. of Korea	88.18%		44,967	53,511	40,188
FIDELIS Global Professional Investment Type Private Equity Real Estate 2 (*1)	Rep. of Korea	78.26%		20,004	19,773	19,485
HANA Alternative Estate Professional Private 122 (*1)	Rep. of Korea	74.02%		28,487	29,489	29,631
Cornerstone Sangsaaeng New Technology Fund No. 1 (*1)	Rep. of Korea	62.50%		1,000	1,194	-
Kiwoom Milestone Professional Private Real Estate Trust 19	Rep. of Korea	50.00%		10,483	5,253	9,918
NH-amundi global infra private fund 16	Rep. of Korea	50.00%		49,225	52,008	43,839
Withwin Fun No.63	Rep. of Korea	49.99%		2,599	2,469	2,444
Fount Professional Investment Private Equity Fund No.3	Rep. of Korea	49.98%		5,000	5,197	-
Pebblestone CGV Real Estate Professional Private 1	Rep. of Korea	48.53%		13,200	13,710	13,346
KAI-The Square New Technology Fund No.1	Rep. of Korea	47.96%		1,000	987	-
Ebest New Technology Fund No. 68	Rep. of Korea	47.60%		1,000	990	-
SWR New Technology Fund	Rep. of Korea	46.51%		1,000	955	-
Hanhwa US Equity Strategy Private Real Estate Fund No.1	Rep. of Korea	44.84%		1,623	1,701	2,277
LD New Technology Fund No.1	Rep. of Korea	44.44%		1,000	994	-
Pharos SL Professional Investment Private Equity Fund	Rep. of Korea	41.67%		2,000	1,987	-
Kiwoom Material and Parts No.2 PEF	Rep. of Korea	41.10%		3,000	2,874	-
Genesis North America Power Company No.1 PEF	Rep. of Korea	40.03%		14,434	13,736	16,983
BROS-DAVALUE New Technology Fund No.1	Rep. of Korea	39.06%		2,500	2,650	2,480
KB NA Hickory Private Speical Asset Fund	Rep. of Korea	37.50%		34,717	34,376	34,938
GB Hanyang New Technology Fund No.1	Rep. of Korea	37.04%		2,000	1,935	-
IMM Global Private Equity Fund	Rep. of Korea	33.00%		115,699	118,615	120,855
Milestone Private Real Estate Fund 3	Rep. of Korea	32.06%		17,305	18,544	18,528
Rifa Professional Private Real Estate31	Rep. of Korea	31.31%		9,018	7,902	8,407
Nomura-Rifa Private Real Estate Investment Trust 19	Rep. of Korea	31.20%		2,402	1,994	2,064

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7. Investments in associates (continued)

(a) Details of investments in associates as of December 31, 2021 and 2020 are as follows (continued):

	Location	Ownership	December 31, 2021		December 31, 2020
			Acquisition cost	Book value	Book value
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Rep. of Korea	30.00%	28,742	31,317	25,989
Shinhan AIM Private Fund (FOFS) 6-A	Rep. of Korea	30.00%	12,527	12,085	5,367
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1	Rep. of Korea	29.41%	1,000	959	1,035
BRAIN DO PROFESSIONAL PRIVATE No. 27	Rep. of Korea	29.13%	887	976	3,441
IBK Global Renewable Energy Private Investment Fund No.2	Rep. of Korea	28.98%	32,658	31,887	32,349
AIP EuroGreen Private Real Estate Investment 12	Rep. of Korea	28.70%	49,632	49,217	48,344
Rhinos Premeir Mezzanine Professional Investment Private Equity Fund No.1	Rep. of Korea	27.93%	3,000	3,005	-
DA-Friend 2 New Technology	Rep. of Korea	27.40%	1,000	980	-
SWRN New Technology Fund	Rep. of Korea	27.27%	900	879	-
Acurus Hyundai-investment New Technology	Rep. of Korea	26.79%	3,000	4,714	2,927
Sprott Global Renewable Private Equity Fund I	Rep. of Korea	26.65%	2,000	1,890	1,778
AIP Transportation Specialized Privately Placed Fund Trust #1	Rep. of Korea	25.99%	25,532	25,234	24,001
Koramco Europe Core Private Placement Real Estate Fund No.2-2	Rep. of Korea	25.84%	11,408	11,441	10,929
Samsung SRA Real Estate Private Fund 45	Rep. of Korea	25.00%	14,091	12,880	10,666
Csquare sniper Private Fund No.10	Rep. of Korea	25.00%	1,250	1,299	1,250
Pacificsunny Real Estate Private Fund 45	Rep. of Korea	25.00%	16,000	14,778	15,855
A1 mezzanine opportunity Private Fund	Rep. of Korea	24.77%	3,000	3,577	3,593
Ebest New Technology Fund No. 40	Rep. of Korea	24.67%	1,754	2,217	2,916
BRAIN GI Professional Investment Private Equity Fund No. 36	Rep. of Korea	24.39%	2,000	2,001	-
Brave New Technology Fund 1	Rep. of Korea	23.81%	1,000	1,005	-
VS Cornerstone New Technology Fund	Rep. of Korea	23.53%	2,000	1,948	1,979
Daishin New Technology Fund No. 5	Rep. of Korea	23.44%	3,000	4,439	2,850
Kyobo 一球二無 New Technology Fund	Rep. of Korea	22.99%	2,000	1,993	-
KNT Private Fund No.2	Rep. of Korea	21.74%	3,000	4,157	-

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7. Investments in associates (continued)

(a) Details of investments in associates as of December 31, 2021 and 2020 are as follows (continued):

	Location	December 31, 2021			December 31, 2020
		Ownership	Acquisition cost	Book value	Book value
Shinhan Venture Professional Investment Type Private Investment Trust No.4	Rep. of Korea	21.43%	9,000	8,871	-
AIPEuroGreen Real Estate Private Fund No. 3	Rep. of Korea	21.28%	20,000	29,703	21,021
Kiwoom AI New Technology Fund	Rep. of Korea	21.51%	2,000	1,892	-
Shinhan AIM Private Fund 31	Rep. of Korea	20.00%	1,560	1,088	-
EDN Central Co., LTD (*3)	Rep. of Korea	19.87%	1,995	-	1,040
Shinhan Praxis K-Growth Global Private Equity Fund (*3)	Rep. of Korea	14.15%	5,730	5,821	7,459
One Shinhan Future's Fund 1 (*3)	Rep. of Korea	13.89%	1,500	1,714	1,449
Shinhan Global Healthcare Fund 2 (*3) -	Rep. of Korea	13.68%	1,000	-	986
One Shinhan Global Fund 1 (*3)	Rep. of Korea	10.30%	2,000	2,156	2,014
Shinhan Healthcare New Technology Fund No.5 (*3)	Rep. of Korea	10.00%	1,000	1,056	990
Shinhan Smilegate Global 1	Rep. of Korea	10.00%	2,376	2,347	-
One Shinhan Future's Fund 2 (*3)	Rep. of Korea	9.90%	990	943	589
Shinhan Display New Technology Fund No.1 (*3)	Rep. of Korea	9.62%	1,000	6	6
Shinhan Healthcare Fund 3 (*3)	Rep. of Korea	9.62%	1,000	863	880
Shinhan SKS Corporate Recovery Private Equity Fund (*3)	Rep. of Korea	9.59%	1,606	1,601	-
KoFC Shinhan Frontier Champ 2010-4 PEF (*3)	Rep. of Korea	8.50%	3,242	520	519
SHINHAN-CORE TREND GLOBAL FUND 1 (*3)	Rep. of Korea	6.96%	990	1,502	1,015
Shinhan Global Healthcare Fund 1 (*3)	Rep. of Korea	3.13%	2,440	-	-
Kiwoom unicorn New Technology Fund No. 3	Rep. of Korea	-	-	-	4,283
Kiwoom unicorn New Technology Fund No. 4	Rep. of Korea	-	-	-	2,046
DB Epic convertible bonds Private Fund No. 2 (*2)	Rep. of Korea	-	-	-	2,781
JB Power TL Investment Type Private Placement Special Asset Fund 7	Rep. of Korea	-	-	-	16,186
Tiger Alternative Real Estate Professional Private5	Rep. of Korea	-	-	-	18,499
IGIS Professional Investment Type Private Equity Real Estate 395 Co., Ltd.	Rep. of Korea	-	-	-	29,644
IGIS Private Real Estate Investment Trust 331	Rep. of Korea	-	-	-	3,765
IGIS Professional Investment Type Private Equity Real Estate 372 Co., Ltd.	Rep. of Korea	-	-	-	53,905
Susung Mezzanine project P1 Private Investment Trust	Rep. of Korea	-	-	-	675
Credian Healthcare Private Equity Fund II	Rep. of Korea	-	-	-	3,552
IGIS Private Real Estate Investment Trust 286	Rep. of Korea	-	-	-	8,844
2019 PCC New Technology Fund	Rep. of Korea	-	-	-	1,351
			<u>709,440</u>	<u>731,316</u>	<u>784,339</u>

(*1) The investment was classified as investments in associates because it has no ability to determine the financial and operating policies according to its controlling power, although the Group has significant influence over the ownership of 50%.

(*2) On prior period, Lime Neptune Professional Private 6 changed its name to DB Epic convertible bonds Private Fund No. 2

(*3) The investment was classified as investments in associates because it could exert significant influence on its financial and operation policies, although the equity stake is less than 20%.

Although the Group has more than 20% over Kiwoom Japan Milestone professional Real Estate Investment Trust 1 and others, the funds are excluded from investments in associates, considering the limitation of influence over related activities in accordance with a trust agreement.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
IGIS GLIP Alternative Special Investment Private 1-1	₩ 40,188	3,627	5,853	3,843	-	53,511
IGIS GLIP Alternative Special Investment Private 1-2	40,188	3,627	5,853	3,843	-	53,511
FIDELIS Global Professional Investment Type Private Equity Real Estate 2	19,485	(911)	1,199	-	-	19,773
HANA Alternative Estate Professional Private122	29,631	(1,001)	859	-	-	29,489
Cornerstone Sangsaaeng New Technology Fund No. 1	-	1,000	194	-	-	1,194
Kiwoom Milestone Professional Private Real Estate Trust 19	9,918	(66)	(361)	-	(4,238)	5,253
Withwin Fun No.63	2,444	-	25	-	-	2,469
Fount Professional Investment Private Equity Fund No.3	-	5,000	197	-	-	5,197
NH-amundi global infra private fund 16	43,839	346	7,823	-	-	52,008
Pebblestone CGV Real Estate Professional Private1	13,346	(748)	1,112	-	-	13,710
KAI-The Square New Technology Fund No.1	-	1,000	(13)	-	-	987
Ebest New Technology Fund No. 68	-	1,000	(10)	-	-	990
SWR New Technology Fund	-	1,000	(45)	-	-	955
Hanhwa US Equity Strategy Private Real Estate Fund No.1	2,277	(374)	(202)	-	-	1,701
LD New Technology Fund No.1	-	1,000	(6)	-	-	994
Genesis North America Power Company No.1 PEF	16,983	(5,229)	1,982	-	-	13,736
Pharos SL Professional Investment Private Equity Fund	-	2,000	(13)	-	-	1,987
Kiwoom Material and Parts No.2 PEF	-	3,000	(126)	-	-	2,874
BROS-DAVALUE New Technology Fund No.1	2,480	-	170	-	-	2,650
KB NA Hickory Private Speical Asset Fund	34,938	(2,266)	1,704	-	-	34,376
GB Hanyang New Technology Fund No.1	-	2,000	(65)	-	-	1,935
IMM Global Private Equity Fund	120,855	(10,462)	8,222	-	-	118,615
Milestone Private Real Estate Fund 3	18,528	(472)	488	-	-	18,544
Rifa Professional Private Real Estate31	8,407	(705)	200	-	-	7,902
Nomura-Rifa Private Real Estate Investment Trust	2,064	-	(70)	-	-	1,994

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7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2021					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the Other comprehensive	Impairment loss	Ending balance
SHBNPP Venture						
Professional Investment Type						
Private Investment Trust No.1	25,989	2,100	3,228	-	-	31,317
Shinhan AIM Private Fund (FOFS) 6-A	5,367	6,589	129	-	-	12,085
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1	1,035	-	(76)	-	-	959
BRAIN DO PROFESSIONALE PRIVATE No. 27	3,441	(3,048)	583	-	-	976
IBK Global Renewable Energy Private Investment Fund No.2	32,349	(1,988)	1,526	-	-	31,887
AIP EuroGreen Private Real Estate Investment 12	48,344	(5,436)	6,309	-	-	49,217
Rhinos Premeir Mezzanine Professional Investment						
Private Equity Fund No.1	-	3,000	5	-	-	3,005
DA-Friend 2 New Technology	-	1,000	(20)	-	-	980
SWRN New Technology Fund	-	900	(21)	-	-	879
Acurus Hyundai-investment New Technology -	2,927	-	1,787	-	-	4,714
Sprott Global Renewable Private Equity Fund I	1,778	-	112	-	-	1,890
AIP Transportation Specialized Privately Placed Fund Trust #1	24,001	252	981	-	-	25,234
Koramco Europe Core Private Placement Real Estate Fund No.2- 2	10,929	(707)	1,219	-	-	11,441
Samsung SRA Real Estate Private Fund 45	10,666	2,656	(442)	-	-	12,880
Csquare sniper Private Fund No.10	1,250	-	49	-	-	1,299
Pacificsunny Real Estate Private Fund 45	15,855	-	(1,077)	-	-	14,778
A1 mezzanine opportunity Private Fund	3,593	(11)	(5)	-	-	3,577
Ebest New Technology Fund No. 40	2,916	(1,246)	547	-	-	2,217
BRAIN GI Professional Investment Private Equity Fund No. 36	-	2,000	1	-	-	2,001
Brave New Technology Fund 1	-	1,000	5	-	-	1,005
VS Cornerstone New Technology Fund	1,979	-	(31)	-	-	1,948
Daishin New Technology Fund No. 5	2,850	-	1,589	-	-	4,439
Kyobo 一球二無 New Technolony Fund	-	2,000	(7)	-	-	1,993
KNT Private Fund No.2	-	3,000	1,157	-	-	4,157

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7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2021					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
Shinhan Venture Professional Investment Type Private Investment Trust No.4	-	9,000	(129)	-	-	8,871
AIPEuroGreen Real Estate Private Fund No. 3	21,021	(1,335)	10,017	-	-	29,703
Kiwoom AI New Technology Fund	-	2,000	(108)	-	-	1,892
Shinhan AIM Private Fund 31	-	1,560	(472)	-	-	1,088
EDN Central Co., LTD	1,040	-	(1,040)	-	-	-
Shinhan Praxis K-Growth Global Private Equity Fund	7,459	(1,733)	95	-	-	5,821
One Shinhan Future's Fund 1	1,449	-	265	-	-	1,714
Shinhan Global Healthcare Fund 2 (*3)	986	-	(75)	-	(911)	-
Shinhan Healthcare Fund 5	990	-	66	-	-	1,056
Shinhan Smilegate Global 1	-	2,375	(28)	-	-	2,347
One Shinhan Global Fund 1	2,014	(259)	401	-	-	2,156
One Shinhan Future's Fund 2	589	390	(36)	-	-	943
Shinhan Display New Technology Fund No.1	6	-	-	-	-	6
Shinhan Healthcare Fund 3	880	-	(17)	-	-	863
Shinhan SKS Corporate Recovery Private Equity Fund	-	1,606	(5)	-	-	1,601
KoFC Shinhan Frontier Champ 2010-4 PEF	519	-	1	-	-	520
SHINHAN-CORE TREND GLOBAL FUND 1	1,015	-	487	-	-	1,502
Shinhan Global Healthcare Fund 1	-	-	-	-	-	-
Kiwoom unicorn New Technology Fund No. 3	4,283	(3,633)	(650)	-	-	-
Kiwoom unicorn New Technology Fund No. 4	2,046	(2,019)	(27)	-	-	-
DB Epic convertible bonds Private Fund No. 2	2,781	(2,662)	(119)	-	-	-
JB Power TL Investment Type Private Placement Special Asset Fund 7	16,186	(15,947)	(239)	-	-	-
Tiger Alternative Real Estate Professional Private5	18,499	(20,848)	2,349	-	-	-
IGIS Professional Investment Type Private Equity Real Estate 395 Co., Ltd. (*1)	29,644	(29,644)	-	-	-	-

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7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

		December 31, 2021					
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
IGIS Private Real Estate	₩						
Investment Trust 331		3,765	(3,765)	-	-	-	-
IGIS Professional Investment							
Type Private Equity Real							
Estate 372 Co., Ltd.		53,905	(53,905)	-	-	-	-
Susung Mezzanine project P1							
Private Investment Trust		675	(675)	-	-	-	-
Credian Healthcare							
Private Equity Fund II		3,552	(3,552)	-	-	-	-
IGIS Private Real Estate							
Investment Trust 286		8,844	(9,176)	332	-	-	-
2019 PCC New Technology							
Fund		1,351	(1,406)	55	-	-	-
Cornerstone Pentarstorn							
New Technology Fund 1		-	(788)	788	-	-	-
Aiontor Professional							
Investment Private Fund							
(*2)		-	-	-	-	-	-
SWN New Technology Fund							
		-	-	-	-	-	-
Ryukyung PSG Venture							
IPO Stock Fund 1 (*2)		-	(204)	204	-	-	-
Billionfold BillionBeat-RV							
Professional Investment							
Fund (*1), (*2)		-	(761)	761	-	-	-
Genesis Environment Fund 1							
(*1), (*2)		-	53	(53)	-	-	-
	₩	<u>784,339</u>	<u>(120,901)</u>	<u>65,341</u>	<u>7,686</u>	<u>(5,149)</u>	<u>731,316</u>

(*1) A transfer has occurred between the subsidiary and the investment in the associate because of changes in equity ratio during the period.

(*2) During the prior period, the amount of investment was classified as an investment in the associate from a financial liability at fair value through profit or loss.

(*3) During the prior period, the amount of investment was classified as a financial liability at fair value through profit or loss from an investment in the associate.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
IGIS GLIP Alternative Special Investment Private 1-1 (*1)	-	40,373	(8)	(177)	-	40,188
	₩					
IGIS GLIP Alternative Special Investment Private 1-2 (*1)	-	40,373	(8)	(177)	-	40,188
FIDELIS Global Professional Investment Type Private Equity Real Estate 2 (*1)	-	18,582	903	-	-	19,485
HANA Alternative Estate Professional Private122 (*1)	26,204	(644)	4,071	-	-	29,631
IGIS Professional Investment Type Private Equity Real Estate 395 Co., Ltd. (*1)	-	30,000	(356)	-	-	29,644
NH-amundi global infra private fund 16	48,158	(1,236)	(3,083)	-	-	43,839
Kiwoom Milestone Professional Private Real Estate Trust 19	10,408	(265)	(225)	-	-	9,918
Withwin Fun No.63	-	2,599	(155)	-	-	2,444
Tiger Alternative Real Estate Professional Private5	19,820	(1,376)	55	-	-	18,499
Pebblestone CGV Real Estate Professional Private1	-	12,792	554	-	-	13,346
Hanhwa US Equity Strategy Private Real Estate Fund No.1	25,965	(26,908)	3,220	-	-	2,277
IGIS Private Real Estate Investment Trust 286	9,768	(1,361)	437	-	-	8,844
Genesis North America Power Company No.1 PEF	18,275	(3,869)	2,577	-	-	16,983
BROS-DAVALUE New Technology Fund No.1	-	2,500	(20)	-	-	2,480
KB NA Hickory Private Speical Asset Fund	35,930	(2,609)	1,617	-	-	34,938
JB Power TL Investment Type Private Placement Special Asset Fund 7	16,800	(1,359)	745	-	-	16,186
IMM Global Private Equity Fund	28,925	90,776	1,154	-	-	120,855
Milestone Private Real Estate Fund 3	17,187	(838)	2,179	-	-	18,528
2019 PCC New Technology Fund	909	-	442	-	-	1,351
Rifa Professional Private Real Estate31	8,914	(931)	424	-	-	8,407
Nomura-Rifa Private Real Estate Investment Trust	2,218	(178)	24	-	-	2,064

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the Other comprehensive	Impairment loss	Ending balance
IGIS Private Real Estate Investment Trust 331	₩ -	3,932	(167)	-	-	3,765
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	17,327	9,000	(338)	-	-	25,989
Shinhan AIM Private Fund (FOFS) 6-A	-	5,938	(571)	-	-	5,367
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1 BRAIN DO	994	-	41	-	-	1,035
PROFESSIONALE PRIVATE No. 27	3,065	-	376	-	-	3,441
IBK Global Renewable Energy Private Investment Fund No.2	-	29,177	3,172	-	-	32,349
AIP EuroGreen Private Real Estate Investment 12	-	45,082	3,262	-	-	48,344
IGIS Professional Investment Type Private Equity Real Estate 372 Co., Ltd.	-	55,200	(1,295)	-	-	53,905
Acurus Hyundai- investment New Technology -	-	3,000	(73)	-	-	2,927
Sprott Global Renewable Private Equity Fund I	1,948	-	(170)	-	-	1,778
AIP Transportation Specialized Privately Placed Fund Trust #1	22,973	994	34	-	-	24,001
Koramco Europe Core Private Placement Real Estate Fund No.2-2	11,483	(781)	227	-	-	10,929
Samsung SRA Real Estate Private Fund 45	-	10,701	(35)	-	-	10,666
Csquare sniper Private Fund No.10	-	1,250	-	-	-	1,250
Pacificsunny Real Estate Private Fund 45	-	16,000	(145)	-	-	15,855
A1 mezzanine opportunity Private Fund	-	3,000	593	-	-	3,593
Ebest New Technology Fund No. 40	-	3,000	(84)	-	-	2,916
DB Epic convertible bonds Private Fund No. 2	2,531	-	250	-	-	2,781
VS Cornerstone New Technology Fund	-	2,000	(21)	-	-	1,979
Daishin New Technology Fund No. 5	-	3,000	(150)	-	-	2,850
AIPEuroGreen Real Estate Private Fund No. 3	20,884	(1,189)	1,326	-	-	21,021

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the years ended December 31, 2021 and 2020
(In millions of won)

7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
Kiwoom unicorn New Technology Fund No. 3	₩ -	3,000	1,283	-	-	4,283
Kiwoom unicorn New Technology Fund No. 4	-	2,000	46	-	-	2,046
Susung Mezzanine project P1 Private Investment Trust	2,561	(1,807)	(79)	-	-	675
Credian Healthcare Private Equity Fund II	1,447	(3,005)	5,110	-	-	3,552
EDN Central Co., LTD (*3)	-	1,995	(955)	-	-	1,040
Shinhan Praxis K-Growth Global Private Equity Fund (*3)	7,727	58	(326)	-	-	7,459
One Shinhan Future's Fund 1 (*3)	983	500	(34)	-	-	1,449
Shinhan Global Healthcare Fund 2 (*3)	-	1,000	(14)	-	-	986
Shinhan Healthcare Fund 35 (*3)	-	984	6	-	-	990
One Shinhan Global Fund 1 (*3)	2,219	-	(205)	-	-	2,014
One Shinhan Future's Fund 2 (*3)	-	600	(11)	-	-	589
Shinhan Display New Technology Fund No.1 (*3)	6	-	-	-	-	6
Shinhan Healthcare Fund 3 (*3)	899	-	(19)	-	-	880
Shinhan SKS Corporate Recovery Private Equity Fund (*3),(*4)	-	-	-	-	-	-
KoFC Shinhan Frontier Champ 2010-4 PEF (*3)	518	-	1	-	-	519
SHINHAN-CORE TREND GLOBAL FUND 1 (*3)	1,042	-	(27)	-	-	1,015
Shinhan Global Healthcare Fund 1 (*3)	2,276	-	91	-	(2,367)	-
Korea investment gong- pyeong office real estate investment trust 2nd	954	(954)	-	-	-	-
Brain Asset Management PN Private Investment Trust Fund 13	490	(490)	-	-	-	-
Rico synergy collabo Multi- Mezzanine 3	3,217	(3,221)	4	-	-	-
IBK AONE convertible 1	6,077	(6,048)	(29)	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

7. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
Friend 23 New Technology Business Investment Fund	₩ 714	(1,270)	556	-	-	-
Credian TNF 2020 Corporate Recovery Private Equity Fund-	-	(40)	40	-	-	-
VISION US Muni US Local Debt Opportunist Professional Private1	9,869	(10,032)	163	-	-	-
BRAIN SK Privately Placed Fund 21	890	(1,114)	224	-	-	-
Sprott Global Renewable Private Equity Fund II	19,015	(18,909)	(106)	-	-	-
GX SHINHAN INTERVEST 1st Private Equity Fund	19,006	(31,240)	12,234	-	-	-
Shinhan Healthcare Fund 2	1,395	(1,259)	(136)	-	-	-
Hyundai investment real estate investment trust No. 40	-	837	(837)	-	-	-
	<u>₩ 431,991</u>	<u>317,310</u>	<u>37,759</u>	<u>(354)</u>	<u>(2,367)</u>	<u>784,339</u>

(*1) A transfer has occurred between the subsidiary and the investment in the associate because of changes in equity ratio during the prior period.

(*2) During the prior period, the amount of investment was classified as an investment in the associate from a financial liability at fair value through profit or loss.

(*3) During the prior period, the amount of investment was classified as a financial liability at fair value through profit or loss from an investment in the associate.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

7. Investments in associates (continued)

(c) Condensed financial information of investments in associates as of and for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021				December 31, 2020			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
IGIS GLIP Alternative Special Investment Private 1-1	₩ 60,740	59	6,767	6,637	45,582	9	-	(9)
IGIS GLIP Alternative Special Investment Private 1-2	60,740	59	6,767	6,637	45,582	9	-	(9)
FIDELIS Global Professional Investment Type Private Equity Real Estate 2	25,271	6	1,575	1,532	24,901	2	1,902	1,214
HANA Alternative Estate Professional Private 122	39,878	38	2,608	1,160	39,449	38	6,836	5,487
IGIS Professional Investment Type Private Equity Real Estate Co., Ltd.	-	-	-	-	116,853	66,459	-	(605)
NH-amundi global infra private fund 16	297,837	193,821	25,560	14,770	87,908	230	20,499	(6,215)
Kiwoom Milestone Professional Private Real Estate Trust 19	49,101	38,596	2,505	(9,199)	58,393	38,558	2,772	(449)
Withwin Fun No.63	4,953	14	132	51	4,888	-	-	(311)
Tiger Alternative Real Estate Professional Private 5	-	-	-	-	38,064	86	7,827	113
Pebblestone CGV Real Estate Professional Private 1	64,667	36,415	7,147	2,350	63,907	36,405	7,451	1,141
Hanhwa US Equity Strategy Private Real Estate Fund No.1	4,396	603	675	(512)	5,798	721	32,667	7,180
IGIS Private Real Estate Investment Trust 286	-	-	-	-	74,406	53,065	5,298	696
Genesis North America Power Company No.1 PEF	34,626	316	11,654	4,951	48,221	5,727	6,976	6,449
BROS-DAVALUE New Technology Fund No.1	6,784	1	567	433	6,351	1	-	(50)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

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7. Investments in associates (continued)

(c) Condensed financial information of investments in associates as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2021				December 31, 2020			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
KB NA Hickory Private Special Asset Fund	₩ 91,752	84	15,540	4,502	93,236	69	13,464	4,312
JB Power TL Investment Type Private Placement Special Asset Fund 7	-	-	-	-	48,605	45	23,547	2,251
IMM Global Private Equity Fund	362,514	3,099	50,060	24,933	367,570	1,368	17,222	2,995
Milestone Private Real Estate Fund 3	57,956	114	1,880	1,522	57,792	2	7,083	6,797
2019 PCC New Technology Fund	-	-	-	-	4,257	1	1,442	1,392
Rifa Professional Private Real Estate31	97,211	72,103	7,364	639	98,291	71,442	7,584	1,356
Nomura-Rifa Private Real Estate Investment Trust	20,078	13,685	1,318	(225)	19,858	13,241	1,473	77
IGIS Private Real Estate Investment Trust 331	-	-	-	-	57,655	45,417	20	(388)
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	104,475	86	11,329	10,760	86,707	78	491	(1,126)
Shinhan AIM Private Fund (FOFS) 6-A	42,605	2,322	512	430	17,888	1	12	(1,907)
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1	3,263	1	1	(257)	3,520	1	213	140
BRAIN DO PROFESSIONALE PRIVATE No. 27	3,351	-	2,002	2,002	11,827	12	1,414	1,292
IBK Global Renewable Energy Private Investment Fund No.2	114,645	4,633	5,520	5,265	116,284	4,679	19,514	10,943
AIP EuroGreen Private Real Estate Investment 12	172,398	909	23,567	21,983	169,233	783	36,577	9,120
IGIS Professional Investment Type Private Equity Real Estate 372 Co., Ltd.	-	-	-	-	628,769	428,577	10,221	(4,808)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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7. Investments in associates (continued)

(c) Condensed financial information of major associate as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2021				December 31, 2020			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
Acurus Hyundai-investment New Technology -	₩ 17,642	42	6,881	6,679	10,928	-	-	(272)
Sprott Global Renewable Private Equity Fund I	7,095	3	462	418	6,677	3	1	(637)
AIP Transportation Specialized Privately Placed Fund Trust #1	104,512	7,415	16,239	3,773	92,454	101	11,100	132
Koramco Europe Core Private Placement Real Estate Fund No.2-2	46,169	1,894	7,743	4,719	46,239	3,948	4,920	877
Samsung SRA Real Estate Private Fund 45	56,083	4,564	3,833	(1,769)	42,895	230	4,155	(355)
Csquare sniper Private Fund No.10	5,269	75	425	195	5,010	10	10	-
Pacificsunny Real Estate Private Fund 45	134,667	94,282	6	(8,090)	141,811	93,336	1	(1,289)
AI mezzanine opportunity Private Fund	15,247	800	1,409	(18)	14,530	40	2,507	2,390
Ebest New Technology Fund No. 40	8,374	-	1,742	1,605	11,819	-	-	(341)
DB Epic convertible bonds Private Fund No. 2	-	-	-	-	11,382	34	1,169	1,021
VS Cornerstone New Technology Fund	8,281	-	2	(132)	8,413	-	2	(87)
Daishin New Technology Fund No. 5	18,970	30	6,903	6,778	12,163	2	-	(638)
AIPEuroGreen Real Estate Private Fund No. 3	219,110	79,534	52,789	47,070	98,866	86	6,893	6,231
Kiwoom unicorn New Technology Fund No. 3	-	-	-	-	20,132	-	6,112	6,031
Kiwoom unicorn New Technology Fund No. 4	-	-	-	-	9,618	-	268	218
Susung Mezzanine project P1 Private Investment Trust	-	-	-	-	3,220	-	3,412	(373)
Credian Healthcare Privat Equity Fund II	-	-	-	-	17,141	15	25,926	24,638
EDN Central Co., LTD	94,405	96,892	1,381	(5,093)	99,768	97,161	916	(2,393)
Shinhan Praxis K-Growth Global Private Equity Fund	41,193	60	1,217	669	52,890	183	201	(2,306)
One Shinhan Future's Fund 1	12,348	4	2,111	1,910	10,439	5	6	(247)
Shinhan Global Healthcare Fund 2	35	138	340	(7,310)	7,272	65	3	(104)
Shinhan Healthcare Fund 35	10,557	-	865	662	9,895	-	180	59
One Shinhan Global Fund 1	21,060	41	4,501	3,914	20,188	-	3	(2,055)
One Shinhan Future's Fund 2	9,527	2	3	(367)	5,952	-	1	(108)
Shinhan Display New Technology Fund No.1	218	156	1	-	218	156	1	-
Shinhan Healthcare Fund 3	9,128	156	-	(176)	9,147	-	539	(198)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates (continued)

(c) Condensed financial information of major associate as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2021				December 31, 2020			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
Shinhan SKS Corporate Recovery Private Equity Fund	₩ 16,917	235	857	(57)	-	-	-	-
KoFC Shinhan Frontier Champ 2010-4 PEF	8,658	2,537	21	19	8,640	2,537	34	10
SHINHAN-CORE TREND GLOBAL FUND 1	21,576	1	9,101	6,991	14,585	1	696	(386)
Shinhan Global Healthcare Fund 1	43	3,507	-	(1,414)	55	2,104	1,034	(74,736)
Cornerstone Sangsaeng New Technology Fund No. 1	1,910	-	326	310	-	-	-	-
Fount Professional Investment Private Equity Fund No.3	10,416	17	411	394	-	-	-	-
KAI-The Square new Technology Fund No.1	2,059	-	-	(26)	-	-	-	-
Ebest New Technology Fund No. 68	2,083	2	-	(20)	-	-	-	-
SWR New Technology Fund	2,054	1	-	(98)	-	-	-	-
LD New Technology Fund No.1	2,239	2	7	(13)	-	-	-	-
Pharos SL Professional Investment Private Equity Fund	4,782	13	-	(31)	-	-	-	-
Kiwoom Material and Parts No.2 PEF	7,184	-	-	(307)	-	-	-	-
GB Hanyang New Technologyfund No.1	5,225	-	1	(175)	-	-	-	-
Rhinos Premeir Mezzanine Professional Investment Private Equity Fund No.1	10,759	-	19	17	-	-	-	-
DA-Friend 2 New Technology	3,585	-	-	(65)	-	-	-	-
SWRN New Technology Fund	3,261	-	-	(39)	-	-	-	-
BRAIN GI Professional Investment Private Equity Fund No. 36	8,164	4	-	-	-	-	-	-
Brave New Technology Fund 1	4,222	1	70	21	-	-	-	-
Kyobo 一球二無 New Technolony Fund	8,668	-	-	(32)	-	-	-	-
KNT Private Fund No.2	19,133	9	5,402	5,324	-	-	-	-
Shinhan Venture Professional Investment Type Private Investment Trust No.4	41,738	35	54	(577)	-	-	-	-
Kiwoom AI New Technology Fund	8,800	-	-	(500)	-	-	-	-
Shinhan AIM Private Fund 31	5,463	17	6	(2,365)	-	-	-	-
Shinhan Smilegate Global 1	23,469	-	-	(281)	-	-	-	-
	<u>2,781,539</u>	<u>659,433</u>	<u>310,178</u>	<u>162,877</u>	<u>3,234,142</u>	<u>967,043</u>	<u>302,595</u>	<u>2,160</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates (continued)

(d) Details of replacing the financial information amount of the net asset in the related company with the book value of the stake in the related company as of and for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021				
	Net Asset (a)	Ownership (b)	Share of net asset amount (a) x (b)	Others	Book Value
IGIS GLIP Alternative Special Investment Private 1-1	₩ 60,681	88.18%	53,511	-	53,511
IGIS GLIP Alternative Special Investment Private 1-2	60,681	88.18%	53,511	-	53,511
FIDELIS Global Professional Investment Type Private Equity Real Estate 2	25,265	78.26%	19,773	-	19,773
HANA Alternative Estate Professional Private122	39,840	74.02%	29,489	-	29,489
NH-amundi global infra private fund 16	104,016	50.00%	52,008	-	52,008
Kiwoom Milestone Professional Private Real Estate Trust 19	10,505	50.00%	5,253	-	5,253
Withwin Fun No.63	4,939	49.99%	2,469	-	2,469
Pebblestone CGV Real Estate Professional Private1	28,252	48.53%	13,710	-	13,710
Hanhwa US Equity Strategy Private Real Estate Fund No.1	3,793	44.84%	1,701	-	1,701
Genesis North America Power Company No.1 PEF	34,310	40.03%	13,736	-	13,736
BROS-DAVALUE New Technology Fund No.1	6,783	39.06%	2,650	-	2,650
KB NA Hickory Private Speical Asset Fund	91,668	37.50%	34,376	-	34,376
IMM Global Private Equity Fund	359,415	33.00%	118,615	-	118,615
Milestone Private Real Estate Fund 3	57,842	32.06%	18,544	-	18,544
Rifa Professional Private Real Estate31	25,108	31.31%	7,862	40	7,902
Nomura-Rifa Private Real Estate Investment Trust	6,393	31.20%	1,994	-	1,994
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	104,389	30.00%	31,317	-	31,317
Shinhan AIM Private Fund (FOFS) 6-A	40,283	30.00%	12,085	-	12,085
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1	3,262	29.41%	959	-	959
BRAIN DO PROFESSIONALE PRIVATE No. 27	3,351	29.13%	976	-	976
IBK Global Renewable Energy Private Investment Fund No.2	110,012	28.98%	31,887	-	31,887
AIP EuroGreen Private Real Estate Investment 12	171,489	28.70%	49,217	-	49,217
Acurus Hyundai-investment New Technology -	17,600	26.79%	4,714	-	4,714
Sprott Global Renewable Private Equity Fund I	7,092	26.65%	1,890	-	1,890
AIP Transportation Specialized Privately Placed Fund Trust #1	97,097	25.99%	25,234	-	25,234

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7. Investments in associates (continued)

(d) Details of replacing the financial information amount of the net asset in the related company with the book value of the stake in the related company as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2021				
	Net Asset (a)	Ownership (b)	Share of net asset amount (a) x (b)	Others	Book Value
Koramco Europe Core Private Placement Real Estate Fund No.2-2	₩ 44,275	25.84%	11,441	-	11,441
Samsung SRA Real Estate Private Fund 45	51,519	25.00%	12,880	-	12,880
Csquare sniper Private Fund No.10	5,194	25.00%	1,299	-	1,299
Pacificsunny Real Estate Private Fund 45	40,385	25.00%	10,096	4,682	14,778
A1 mezzanine opportunity Private Fund	14,447	24.77%	3,577	-	3,577
Ebest New Technology Fund No. 40	8,374	24.67%	2,066	151	2,217
VS Cornerstone New Technology Fund	8,281	23.53%	1,948	-	1,948
Daishin New Technology Fund No. 5	18,940	23.44%	4,439	-	4,439
AIPEuroGreen Real Estate Private Fund No. 3	139,576	21.28%	29,703	-	29,703
EDN Central Co., LTD (*3)	(2,487)	19.87%	(494)	494	-
Shinhan Praxis K-Growth Global Private Equity Fund (*3)	41,133	14.15%	5,821	-	5,821
One Shinhan Future's Fund 1 (*3)	12,344	13.89%	1,714	-	1,714
Shinhan Global Healthcare Fund 2 (*3)	(103)	13.68%	(14)	14	-
Shinhan Healthcare Fund 5 (*3)	10,557	10.00%	1,056	-	1,056
One Shinhan Global Fund 1 (*3)	21,019	10.26%	2,156	-	2,156
One Shinhan Future's Fund 2 (*3)	9,525	9.90%	943	-	943
Shinhan Display New Technology Fund No.1 (*3)	62	9.62%	6	-	6
Shinhan Healthcare Fund 3 (*3)	8,972	9.62%	863	-	863
Shinhan SKS Corporate Recovery Private Equity Fund (*3),(*4)	16,682	9.59%	1,601	-	1,601
KoFC Shinhan Frontier Champ 2010-4 PEF	6,121	8.50%	520	-	520
SHINHAN-CORE TREND GLOBAL FUND 1 (*3)	21,575	6.96%	1,502	-	1,502
Shinhan Global Healthcare Fund 1 (*3)	(3,464)	3.13%	(108)	108	-
Cornerstone Sangsaaeng New Technology Fund No. 1	1,910	62.50%	1,194	-	1,194
Fount Professional Investment Private Equity Fund No.3	10,399	49.98%	5,197	-	5,197
KAI-The Square New Technology Fund No.1	2,059	47.96%	987	-	987
Ebest New Technology Fund No. 68	2,081	47.60%	990	-	990
SWR New Technology Fund	2,053	46.51%	955	-	955
LD New Technology Fund No.1	2,237	44.44%	994	-	994

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates (continued)

(d) Details of replacing the financial information amount of the net asset in the related company with the book value of the stake in the related company as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2021				
	Net Asset (a)	Ownership (b)	Share of net asset amount (a) x (b)	Others	Book Value
Pharos SL Professional Investment Private Equity Fund	₩ 4,769	41.67%	1,987	-	1,987
Kiwoom Material and Parts No.2 PEF	7,184	41.10%	2,952	(78)	2,874
GB Hanyang New Technology Fund No.1	5,225	37.04%	1,935	-	1,935
Rhinos Premeir Mezzanine Professional Investment Private Equity Fund No.1	10,759	27.93%	3,005	-	3,005
DA-Friend 2 New Technology	3,585	27.40%	980	-	980
SWRN New Technology Fund (*)	3,261	27.27%	889	(10)	879
BRAIN GI Professional Investment Private Equity Fund No. 36 (*)	8,160	24.39%	1,990	11	2,001
Brave New Technology Fund 1	4,221	23.81%	1,005	-	1,005
Kyobo 一球二無 New Technolony Fund	8,668	22.99%	1,993	-	1,993
KNT Private Fund No.2	19,124	21.74%	4,157	-	4,157
Shinhan Venture Professional Investment Type Private Investment Trust No.4 (*)	41,703	21.43%	8,936	(65)	8,871
Kiwoom AI New Technology Fund	8,800	21.51%	1,892	-	1,892
Shinhan AIM Private Fund 31	5,446	20.00%	1,088	-	1,088
Shinhan Smilegate Global 1	23,469	10.00%	2,347	-	2,347
	<u>2,122,106</u>	<u>-</u>	<u>725,969</u>	<u>5,347</u>	<u>731,316</u>

(*) Others are accumulated losses that were not recognized due to the accumulation of deficits and the amount of adjustment to preferred stocks issued by the investee due to the suspension of equity method recognition.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates (continued)

(d) Details of replacing the financial information amount of the net asset in the related company with the book value of the stake in the related company as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020				
	Net Asset (a)	Ownership (b)	Share of net asset amount (a) x (b)	Others	Book Value
IGIS GLIP Alternative Special Investment Private 1-1	₩ 45,573	88.18%	40,188	-	40,188
IGIS GLIP Alternative Special Investment Private 1-2	45,573	88.18%	40,188	-	40,188
FIDELIS Global Professional Investment Type Private Equity Real Estate 2	24,899	78.26%	19,485	-	19,485
HANA Alternative Estate Professional Private122	39,411	75.19%	29,631	-	29,631
IGIS Professional Investment Type Private Equity Real Estate 395 Co., Ltd.	50,394	58.82%	29,644	-	29,644
NH-amundi global infra private fund 16	87,678	50.00%	43,839	-	43,839
Kiwoom Milestone Professional Private Real Estate Trust 19	19,835	50.00%	9,918	-	9,918
Withwin Fun No.63	4,888	49.99%	2,444	-	2,444
Tiger Alternative Real Estate Professional Private5	37,978	48.71%	18,499	-	18,499
Pebblestone CGV Real Estate Professional Private1	27,502	48.53%	13,347	-	13,346
Hanhwa US Equity Strategy Private Real Estate Fund No.1	5,077	44.84%	2,277	-	2,277
IGIS Private Real Estate Investment Trust 286	21,341	41.44%	8,844	-	8,844
Genesis North America Power Company No.1 PEF	42,494	39.96%	16,983	-	16,983
BROS-DAVALUE New Technology Fund No.1	6,350	39.06%	2,480	-	2,480
KB NA Hickory Private Speical Asset Fund	93,167	37.50%	34,938	-	34,938
JB Power TL Investment Type Private Placement Special Asset Fund 7	48,560	33.33%	16,186	-	16,186
IMM Global Private Equity Fund	366,202	33.00%	120,855	-	120,855
Milestone Private Real Estate Fund 3	57,790	32.06%	18,528	-	18,528
2019 PCC New Technology Fund	4,256	31.75%	1,351	-	1,351
Rifa Professional Private Real Estate31	26,849	31.31%	8,407	-	8,407
Nomura-Rifa Private Real Estate Investment Trust	6,617	31.20%	2,064	-	2,064
IGIS Private Real Estate Investment Trust 331	12,238	30.77%	3,766	-	3,765
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	86,629	30.00%	25,989	-	25,989
Shinhan AIM Private Fund (FOFS) 6-A	17,887	30.00%	5,367	-	5,367
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1	3,519	29.41%	1,035	-	1,035
BRAIN DO PROFESSIONALE PRIVATE No. 27	11,815	29.13%	3,441	-	3,441

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates (continued)

(d) Details of replacing the financial information amount of the net asset in the related company with the book value of the stake in the related company as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020				
	Net Asset (a)	Ownership (b)	Share of net asset amount (a) x (b)	Others	Book Value
IBK Global Renewable Energy Private Investment Fund No.2	₩ 111,605	28.98%	32,349	-	32,349
AIP EuroGreen Private Real Estate Investment 12	168,450	28.70%	48,344	-	48,344
IGIS Professional Investment Type Private Equity Real Estate 372 Co., Ltd.	200,192	26.93%	53,905	-	53,905
Acurus Hyundai-investment New Technology -	10,928	26.79%	2,927	-	2,927
Sprott Global Renewable Private Equity Fund I	6,674	26.65%	1,778	-	1,778
AIP Transportation Specialized Privately Placed Fund Trust #1	92,353	25.99%	24,001	-	24,001
Koramco Europe Core Private Placement Real Estate Fund No.2-2	42,291	25.84%	10,929	-	10,929
Samsung SRA Real Estate Private Fund 45	42,665	25.00%	10,666	-	10,666
Csquare sniper Private Fund No.10	5,000	25.00%	1,250	-	1,250
Pacificsunny Real Estate Private Fund 45 (*)	48,475	25.00%	12,119	3,736	15,855
A1 mezzanine opportunity Private Fund	14,490	24.79%	3,593	-	3,593
Ebest New Technology Fund No. 40	11,819	24.67%	2,916	-	2,916
DB Epic convertible bonds Private Fund No. 2	11,348	24.51%	2,781	-	2,781
VS Cornerstone New Technology Fund	8,413	23.53%	1,979	-	1,979
Daishin New Technology Fund No. 5	12,161	23.44%	2,850	-	2,850
AIP EuroGreen Real Estate Private Fund No. 3	98,780	21.28%	21,021	-	21,021
Kiwoom unicorn New Technology Fund No. 3	20,132	21.28%	4,283	-	4,283
Kiwoom unicorn New Technology Fund No. 4	9,618	21.28%	2,046	-	2,046
Susung Mezzanine project P1 Private Investment Trust	3,220	20.96%	675	-	675
Credian Healthcare Private Equity Fund II	17,126	20.74%	3,552	-	3,552
EDN Central Co., LTD	2,607	19.87%	518	522	1,040
Shinhan Praxis K-Growth Global Private Equity Fund	52,707	14.15%	7,459	-	7,459
One Shinhan Future's Fund 1	10,434	13.89%	1,449	-	1,449
Shinhan Global Healthcare Fund 2	7,207	13.68%	986	-	986

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

7. Investments in associates (continued)

(d) Details of replacing the financial information amount of the net asset in the related company with the book value of the stake in the related company as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020				
	Net Asset (a)	Ownership (b)	Share of net asset amount (a) x (b)	Others	Book Value
Shinhan Healthcare New Technology Fund No.5	₩ 9,895	10.00%	990	-	990
One Shinhan Global Fund 1	20,188	9.98%	2,014	-	2,014
One Shinhan Future's Fund 2	5,952	9.90%	589	-	589
Shinhan Display New Technology Fund No.1	62	9.62%	6	-	6
Shinhan Healthcare Fund 3	9,147	9.62%	880	-	880
Shinhan SKS Corporate Recovery Private Equity Fund	-	9.59%	-	-	-
KoFC Shinhan Frontier Champ 2010-4 PEF	6,103	8.50%	519	-	519
SHINHAN-CORE TREND GLOBAL FUND 1	14,584	6.96%	1,015	-	1,015
Shinhan Global Healthcare Fund 1 (*)	(2,049)	3.13%	(64)	64	-
	₩ <u>2,267,099</u>	<u>-</u>	<u>780,019</u>	<u>4,322</u>	<u>784,339</u>

(*) Others are accumulated losses that were not recognized due to the accumulation of deficits and the amount of adjustment to preferred stocks issued by the investee due to the suspension of equity method recognition.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

7. Investments in associates (continued)

(e) Unrecognized share of losses of investments in associates and joint ventures due to the discontinuation of recognizing share of losses, for the years ended December 31, 2021 and 2020, and accumulated amount of unrecognized losses as of December 31, 2021 and 2020, are as follows:

	December 31, 2021	
	Unrecognized losses for the period	Accumulated unrecognized losses
Shinhan Global Healthcare Fund 1	₩ (44)	(108)
Shinhan Global Healthcare Fund 2	(14)	(14)
EDN Central Co., LTD	(494)	(494)
	₩ (552)	(616)

	December 31, 2020	
	Unrecognized losses for the period	Accumulated unrecognized losses
Shinhan Global Healthcare Fund 1	₩ (64)	(64)
	₩ (64)	(64)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

8. Loans measured at amortized cost

(a) Details of loans measured at amortized cost as of December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Broker's loans	₩	2,538,211	2,404,287
Loans for company facilities		2,885,071	2,355,894
Loans for housing		13,602	10,086
Call loans		-	1
Advances for customers		1,931	1,934
Bonds purchased under repurchase agreements		1,424	105,402
Other loans		263	364
		<u>5,440,502</u>	<u>4,877,968</u>
Present value discount		(1,866)	(1,071)
Deferred loan origination costs		<u>(20,594)</u>	<u>(9,747)</u>
Balance before deducting provision on credit loss		<u>5,418,042</u>	<u>4,867,150</u>
Allowance for credit loss		(202,521)	(129,023)
Balance after deducting provision on credit loss	₩	<u>5,215,521</u>	<u>4,738,127</u>

(b) Changes in allowance for credit loss of loans measured at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>			
		<u>12 months Expected credit loss</u>	<u>Total period Expected credit loss</u>	<u>Financial asset with impaired credit</u>	<u>Total</u>
Beginning balance	₩	33,198	14,847	80,978	129,023
Transfer to 12 months of expected credit loss		5,456	(5,456)	-	-
Transfer to of total period of expected credit loss		(1,639)	1,639	-	-
Provision (Reversal)		(15,263)	(1,234)	90,039	73,542
Disposal		(6)	-	-	(6)
Others		(38)	-	-	(38)
Ending balance	₩	<u>21,708</u>	<u>9,796</u>	<u>171,017</u>	<u>202,521</u>
		<u>December 31, 2020</u>			
		<u>12 months Expected credit loss</u>	<u>Total period Expected credit loss</u>	<u>Financial asset with impaired credit</u>	<u>Total</u>
Beginning balance	₩	14,081	7,243	2,497	23,821
Transfer to 12 months of expected credit loss		34	(34)	-	-
Transfer to total period of expected credit loss		(8,730)	8,730	-	-
Transfer to financial asset with impaired credit		-	(31,693)	31,693	-
Provision		27,867	30,601	47,288	105,756
Disposal		(34)	-	-	(34)
Write-offs		-	-	(500)	(500)
Others		(19)	-	-	(19)
Ending balance	₩	<u>33,198</u>	<u>14,847</u>	<u>80,978</u>	<u>129,023</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

8. Loans measured at amortized cost (continued)

(c) Changes in carrying amount of loans measured at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	12 months Expected credit loss	Total period Expected credit loss	Financial asset with impaired credit	Total
Beginning balance	₩ 4,463,894	234,259	168,997	4,867,150
Transfer to 12 months of expected credit loss	66,157	(66,157)	-	-
Transfer to total period of expected credit loss	(191,264)	191,264	-	-
Execution and recovery	757,418	(124,113)	2,020	635,325
Disposal	(84,433)	-	-	(84,433)
Ending balance	₩ 5,011,772	235,253	171,017	5,418,042

	December 31, 2020			
	12 months Expected credit loss	Total period Expected credit loss	Financial asset with impaired credit	Total
Beginning balance	₩ 4,488,497	115,915	2,498	4,606,910
Transfer to 12 months of expected credit loss	8,300	(8,300)	-	-
Transfer to total period of expected credit loss	(340,110)	340,110	-	-
Transfer to financial asset with impaired credit	-	(167,054)	167,054	-
Execution and recovery	432,208	(46,412)	(55)	385,741
Disposal	(125,001)	-	-	(125,001)
Write-offs	-	-	(500)	(500)
Ending balance	₩ 4,463,894	234,259	168,997	4,867,150

(d) Changes in deferred loan-originating fees for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Beginning balance	₩ 9,747	9,052
Loan-originating fees incurred	26,997	14,637
Amortization	(16,150)	(13,942)
Ending balance	₩ 20,594	9,747

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

9. Property and equipment

(a) Details of property and equipment as of December 31, 2021 and 2020 are as follows:

		December 31, 2021		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	63,092	-	63,092
Buildings		71,191	(29,586)	41,605
Right-of-use assets		39,044	(11,430)	27,614
Others		163,660	(112,768)	50,892
	₩	<u>336,987</u>	<u>(153,784)</u>	<u>183,203</u>
		December 31, 2020		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	63,366	-	63,366
Buildings		71,730	(27,150)	44,580
Right-of-use assets		26,696	(4,696)	22,000
Others		129,613	(103,374)	26,239
	₩	<u>291,405</u>	<u>(135,220)</u>	<u>156,185</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

9. Property and equipment (continued)

(b) Changes in property and equipment for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021				
		Land	Buildings	Right-of-use assets	Others	Total
Beginning balance	₩	63,366	44,580	22,000	26,239	156,185
Acquisition (*)		387	1,060	22,475	37,818	61,740
Disposal		(338)	(1,087)	(3,540)	(21)	(4,986)
Depreciation		-	(2,673)	(13,321)	(13,298)	(29,292)
Transferred from investment property		-	-	-	-	-
Transferred to investment property		(323)	(295)	-	-	(618)
Others		-	20	-	154	174
	₩	<u>63,092</u>	<u>41,605</u>	<u>27,614</u>	<u>50,892</u>	<u>183,203</u>

(*) Acquisition includes ₩ 980 million of provision for restoration liabilities about assets newly acquired for the year ended December 31, 2021.

		December 31, 2020				
		Land	Buildings	Right-of-use assets	Others	Total
Beginning balance	₩	63,877	40,274	14,691	20,457	139,299
Acquisition (*)		413	7,604	19,617	15,621	43,255
Disposal		(348)	(845)	(130)	(241)	(1,564)
Depreciation		-	(2,526)	(12,178)	(9,598)	(24,302)
Transferred from investment property		-	73	-	-	73
Transferred to investment property		(576)	-	-	-	(576)
	₩	<u>63,366</u>	<u>44,580</u>	<u>22,000</u>	<u>26,239</u>	<u>156,185</u>

(*) Acquisition includes ₩ 491 million of provision for restoration liabilities about assets newly acquired for the year ended December 31, 2020.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

9. Property and equipment (continued)

(c) Details of insurance contract for cash, property and equipment as of December 31, 2021 are as follows:

	<u>Asset</u>	<u>Amonut</u>	<u>Insurance company</u>
Property all risks policy (*1)	Equipment and vehicles, Land and buildings	₩ 689,044	Hyundai marine & fire insurance Co, Ltd and others
Directors and officers liability insurance	Directors and officers liability insurance	50,000	Meritz fire & marine insurance Co, Ltd and others
Burglary insurance	Cash and securities	19,275	Samsung fire & marine insurance Co, Ltd and others
Personal information protection liability insurance	-	2,800	Meritz fire & marine insurance Co, Ltd and others
Electronic financial transaction liability insurance	-	5,000	Meritz fire & marine insurance Co, Ltd and others

(*1) Collateral has been established regarding Property all risks policy coverage of some subsidiaries.
In addition to the above insurance, the Group also subscribes to group accident insurance for employees.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

10. Intangible assets

(a) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021					
		Finite useful lives		Infinite useful lives			
				Settlement system			
		Software	Others	Membership	right of use	Goodwill	Total
Beginning balance	₩	17,572	737	17,113	19,696	7,904	63,022
Acquisition		36,705	2	869	-	-	37,576
Disposal		(28)	(700)	(2,050)	-	-	(2,778)
Amortization		(9,710)	(8)	-	-	-	(9,718)
Impairment loss		-	-	-	-	(2,569)	(2,569)
Ending balance	₩	44,539	31	15,932	19,696	5,335	85,533

		December 31, 2020					
		Finite useful lives		Infinite useful lives			
				Settlement system			
		Software	Others	Membership	right of use	Goodwill	Total
Beginning balance	₩	12,362	50	16,307	19,696	7,904	56,319
Acquisition		12,857	704	806	-	-	14,367
Amortization		(7,647)	(17)	-	-	-	(7,664)
Ending balance	₩	17,572	737	17,113	19,696	7,904	63,022

(b) Goodwill

(i) Details of goodwill as of December 31, 2021 and 2020 are as follows:

		December 31, 2021	December 31, 2020
Shinhan Securities Vietnam Co., LTD	₩	1,219	1,219
PT Shinhan Sekuritas Indonesia		1,858	4,427
PT Shinhan Asset Management Indonesia		2,258	2,258
	₩	5,335	7,904

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

(In millions of won)

10. Intangible assets (continued)

(b) Goodwill (continued)

(ii) Impairment test

The recoverable amount for the cash-generating unit was evaluated based on value in use.

- ① When evaluating recoverable amount based on value in use, the income approach was applied in consideration of the characteristics of each financial institution.
- ② The measurement date for the evaluation of the recoverable amount is June 30, 2021. And the forecast period for value in use was 5.5 years after the evaluation date, and the value after the forecast period was calculated by permanent value.
- ③ The discount rate was applied by calculating the cost of equity capital, and the cost of equity capital was calculated by the risk-free interest rate and the systematic risk (β) in a market risk premium paid in exchange for risk. Also, the permanent growth rate was estimated based on the inflation rate.

The discount rate and permanent growth rate used for the cash-generating unit are as follows:

	<u>Discount rate</u>	<u>Permanent growth</u>
Shinhan Securities Vietnam Co., Ltd	13.0	2.0
PT Shinhan Sekuritas Indonesia	12.3	2.0

- ④ The aggregate amount of cash-generating unit group with goodwill for the years ended December 31, 2021 is as follows:

	<u>PT Shinhan Sekuritas Indonesia</u>	<u>Shinhan Securities Vietnam Co., Ltd</u>
Total recoverable amount	₩ 23,606	49,170
Total book value (*)	26,201	47,159
Remaining balance	₩ (2,595)	2,011

(*) The total book value includes goodwill for external shareholders.

As a result of the impairment assessment of goodwill, the total book value exceeded the recoverable amount of PT Shinhan Sekuritas Indonesia's cash-generating unit was 2,595 million won. As the Group has the 99% of equity, the Group recognizes 2,569 million won as an impairment loss.

The recoverable amount decreased due to the NIM decline following the decline in Indonesia's benchmark interest rate in 2021, the internal and external economic downturn caused by the Covid-19. It decreased by 8,715 million won compared to the end of the prior year.

In addition, the total book value of SHINHAN SECURITIES VIETNAM CO., LTD's cash-generating unit is not expected to exceed the recoverable amount.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(In millions of won)

11. Investment property

(a) Details of investment property as of December 31, 2021 and 2020 are as follows:

		December 31, 2021		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	188,339	-	188,339
Buildings		308,397	(63,633)	244,764
	₩	<u>496,736</u>	<u>(63,633)</u>	<u>433,103</u>
		December 31, 2020		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	188,016	-	188,016
Buildings		307,877	(55,420)	252,457
	₩	<u>495,893</u>	<u>(55,420)</u>	<u>440,473</u>

(b) Changes in investment property for the years ended December 31, 2021 and 2020 are as follows:

		2021		
		Land	Buildings	Total
Beginning balance	₩	188,016	252,457	440,473
Depreciation		-	(7,727)	(7,727)
Transferred from property and equipment		323	295	618
Others		-	(261)	(261)
Ending balance	₩	<u>188,339</u>	<u>244,764</u>	<u>433,103</u>
		2020		
		Land	Buildings	Total
Beginning balance	₩	100,113	116,677	216,790
Acquisition		89,679	147,388	237,067
Disposal		(2,352)	(4,234)	(6,586)
Depreciation		-	(7,301)	(7,301)
Transferred from property and equipment		576	-	576
Transferred to property and equipment		-	(73)	(73)
Ending balance	₩	<u>188,016</u>	<u>252,457</u>	<u>440,473</u>

(c) Details of income and expense related to investment property for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021	December 31, 2020
Rental income	₩	23,443	18,533
Direct operating expenses for investment property that generated rental income		6,655	6,148

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

11. Investment property (continued)

(d) The fair value of investment property as of December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value	₩	563,106	553,205

The transaction with an independent third party and unobservable significant variables within the market are considered in evaluating the fair value of investment property. Therefore, the fair value is classified as level 3.

12. Other financial assets

(a) Details of other assets as of December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Receivables	₩	4,643,817	7,321,528
Accrued income		135,299	137,946
Deposits		32,657	32,284
Others		33,951	77,981
		<u>4,845,724</u>	<u>7,569,739</u>
Present value discount		(3,605)	(6,443)
		<u>4,842,119</u>	<u>7,563,296</u>
Allowance for credit loss		(25,774)	(19,338)
	₩	<u>4,816,345</u>	<u>7,543,958</u>

(b) Changes in allowance for credit loss for other financial assets measured at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

		<u>2021</u>			
		<u>12 months expected credit loss</u>	<u>Total period expected credit loss</u>	<u>Financial asset with impaired credit</u>	<u>Total</u>
Beginning	₩	107	596	18,635	19,338
Transfer to financial assets with impaired credit		-	(1,601)	1,601	-
Provision		(50)	962	7,244	8,156
Others		-	231	(1,951)	(1,720)
Ending balance	₩	<u>57</u>	<u>188</u>	<u>25,529</u>	<u>25,774</u>

		<u>2020</u>			
		<u>12 months expected credit loss</u>	<u>Total period expected credit loss</u>	<u>Financial asset with impaired credit</u>	<u>Total</u>
Beginning	₩	5	472	13,849	14,326
Transfer to financial assets with impaired credit		-	(1,246)	1,246	-
Provision		127	1,477	3,566	5,170
Write-offs		-	-	(26)	(26)
Others		(25)	(107)	-	(132)
Ending balance	₩	<u>107</u>	<u>596</u>	<u>18,635</u>	<u>19,338</u>

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12. Other financial assets(continued)

(c) Changes in total book value for other financial assets measured at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021			
		12 months expected credit loss	Total period expected credit loss	Financial asset with impaired credit	Total
Beginning	₩	7,542,551	1,021	19,724	7,563,296
Transfer to total period of expected credit loss		(9,740)	9,740	-	-
Transfer to financial assets with impaired credit		-	(9,740)	9,740	-
Execution and recovery		(2,716,547)	(695)	(3,935)	(2,721,177)
Ending balance	₩	<u>4,816,264</u>	<u>326</u>	<u>25,529</u>	<u>4,842,119</u>

		December 31, 2020			
		12 months expected credit loss	Total period expected credit loss	Financial asset with impaired credit	Total
Beginning	₩	2,352,962	715	13,849	2,367,526
Transfer to total period of expected credit loss		(6,207)	6,207	-	-
Transfer to financial assets with impaired credit		-	(5,901)	5,901	-
Execution and recovery		5,195,796	-	-	5,195,796
Write-offs		-	-	(26)	(26)
Ending balance	₩	<u>7,542,551</u>	<u>1,021</u>	<u>19,724</u>	<u>7,563,296</u>

13. Other assets

Details of other assets as of December 31, 2021 and 2020 are as follows:

		December 31, 2021	December 31, 2020
Advance payments	₩	59,099	40,068
Prepaid expenses		33,190	20,680
Others		14,240	10,030
	₩	<u>106,529</u>	<u>70,778</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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14. Deposits

Details of deposits as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Customers' deposits		
Customers' deposits for brokerage	₩ 2,056,570	2,394,430
Customers' deposits for exchange-traded derivatives trading	628,584	704,081
Customers' deposit subscriptions	18	18
Customers' deposits for savings	6,582	7,145
Customers' deposits for other securities	76	76
Customers' deposits for foreign securities	850,331	601,622
	<u>3,542,161</u>	<u>3,707,372</u>
Guarantee deposits		
Deposits for credit extension	50,576	43,572
Deposits for margin loans	1,932	62
	<u>52,508</u>	<u>43,634</u>
	₩ <u>3,594,669</u>	<u>3,751,006</u>

15. Financial liabilities at fair value through profit or loss

(a) Details of financial liabilities measured at FVTPL as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Securities sold	₩ 785,564	897,129
Financial liabilities designated at fair value through profit or loss	8,023,870	8,455,724
Derivative liabilities	608,222	663,430
	₩ <u>9,417,656</u>	<u>10,016,283</u>

(b) Details of securities sold as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Stocks	₩ 273,248	387,857
Bonds	505,202	503,920
Others	7,114	5,352
	₩ <u>785,564</u>	<u>897,129</u>

(c) Details of financial liabilities designated at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Hybrid instruments		
Equity linked securities sold	₩ 5,795,071	6,556,288
Other derivatives-linked securities sold	2,228,799	1,899,436
	₩ <u>8,023,870</u>	<u>8,455,724</u>

The maximum exposure to credit risk for financial liabilities at fair value through profit or loss as of December 31, 2021 and 2020 are ₩ 8,023,870 million and ₩ 8,455,724 million. In addition, the decrease in fair value due to changes in credit risk for the year ended December 31, 2021 and 2020 are ₩ 1,526 million and ₩ 9,689 million, and the cumulative change in fair value are ₩ (2,506) million and ₩ (7,133) million.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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15. Financial liabilities at fair value through profit or loss (continued)

(d) Details of the difference between the book value and maturity value as of December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Maturity value	₩	7,325,678	7,568,498
Book value		8,023,870	8,455,724
Difference	₩	<u>(698,192)</u>	<u>(887,226)</u>

(e) Details of derivative liabilities as of December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Derivatives in won			
Over the counter:			
Interest rate	₩	96,653	52,886
Equity		76,929	53,898
Credit		14,123	28,555
Commodity		3,149	32,693
		<u>190,854</u>	<u>168,032</u>
Exchange traded:			
Equity		<u>54,172</u>	<u>32,228</u>
		<u>245,026</u>	<u>200,260</u>
Derivatives in foreign currency			
Over the counter:			
Interest rate		18,134	40,316
Currency		157,194	291,823
Equity		313	495
Credit		50,981	1,127
		<u>226,622</u>	<u>333,761</u>
Exchange traded:			
Interest rate		1,685	422
Currency		210	186
Equity		132,462	128,615
Commodity		2,217	186
		<u>136,574</u>	<u>129,409</u>
		<u>363,196</u>	<u>463,170</u>
	₩	<u>608,222</u>	<u>663,430</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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16. Borrowings

(a) Details of borrowings as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Borrowings	₩ 16,199,739	16,592,974
Debt securities issued	3,981,336	3,007,275
	<u>₩ 20,181,075</u>	<u>19,600,249</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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16. Borrowings (continued)

(b) Details of borrowings as of December 31, 2021 and 2020 are as follows:

	December 31, 2021			December 31, 2020		
	Institution	Expiry date	Interest rate (%)	Amount	Interest rate (%)	Amount
In won:						
Call money	Korea Investment Management Co., and others	January 3, 2022	1.03~1.52	₩ 140,500	0.53~0.72	₩ 105,000
Bond sold under repurchase agreements	Customers	-	0.20~3.00	9,230,572	0.10~0.75	9,046,737
Borrowing from bank	Shinhan Bank., and others	March 4, 2022 ~ December 31, 2022	1.50~3.93	144,490	-	-
Borrowings from KSFC	KSFC	January 3, 2022 ~ April 30, 2025	0.86~1.78	620,303	0.75~0.93	619,399
Others	KTB Investment & Securities Co., Ltd and others	January 13, 2022 ~ December 19, 2022	0.93~2.16	2,397,000	0.86~3.10	1,885,000
	Others	January 5, 2022 ~ February 15, 2022	1.3~2.8	1,569,550	0.86~6.20	3,063,666
				14,102,415		14,719,802
In foreign currency:						
Bond sold under repurchase agreements	Customers	-	0.05~0.80	1,282,365	0.10~2.43	1,076,766
Borrowing from bank	Woori bank and others	January 19, 2022 ~ December 15, 2022	1.36~5.8	43,132	1.39~8.00	25,641
	Shinhan Financial Group Co., Ltd	February 4, 2025 ~ August 20, 2025	2.55~2.78	695,889	2.55~2.78	638,656
Others	Others	February 4, 2022 ~ February 28, 2022	1.45~1.55	75,938	1.50~6.70	132,109
				2,097,324		1,873,172
			₩-	16,199,739	₩	16,592,974

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

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16. Borrowings (continued)

(c) Details of debt securities issued as of December 31, 2021 and 2020 are as follows:

	Issue date	Redemption date	Interest rate (%)	December 31, 2021	Interest rate (%)	December 31, 2020
In won:						
Short-term bond	October 1, 2021 ~ December 30, 2021	January 1, 2022 ~ March 30, 2022	1.73~2.75	₩ 2,196,538	0.71~6.20	₩ 1,808,116
Long-term bond	October 27, 2020 October 27, 2020 October 27, 2020 October 27, 2020 February 8, 2021 April 6, 2021 April 6, 2021 April 6, 2021 May 28, 2021 July 26, 2021 August 12, 2021 February 21, 2018 June 7, 2018 October 11, 2018	October 27, 2022 October 27, 2023 October 27, 2025 February 8, 2024 April 6, 2023 October 6, 2023 April 5, 2024 May 28, 2024 July 26, 2023 February 13, 2024 February 22, 2021 June 7, 2024 October 11, 2024	1.35 1.45 1.68 1.25 1.26 1.38 1.50 1.53 1.63 1.76 - 4.17 3.89	120,000 150,000 30,000 150,000 130,000 70,000 100,000 50,000 100,000 100,000 - 250,000 250,000 (2,804)	1.35 1.45 1.68 - - - - - - - - 2.77 4.17 3.89	120,000 150,000 30,000 - - - - - - - - 200,000 250,000 250,000 (2,760)
				₩ 3,693,734		₩ 2,805,356
In foreign currency:						
Bond	May 27, 2019 ~ December 3, 2021	January 7, 2022 ~ June 1, 2022	1.3~3.83	₩ 287,602	1.65~3.83	₩ 201,919
				₩ 3,981,336		₩ 3,007,275

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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17. Provisions

(a) Details of provisions as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial acceptances and Guarantees liability (*1)	₩ 595	3,005
Allowances for unused commitments (*1)	333	1,464
Allowances for restoration cost (*2)	4,821	4,006
Allowance for lawsuits	2,076	206
Allowance for others (*3)	380,393	154,214
	<u>₩ 388,218</u>	<u>162,895</u>

(*1) In accordance with Korean IFRS 9, expected credit losses are measured and accounted for as provisions for granting of credit (such as purchase commitments).

(*2) Provisions for restoration liabilities represent the estimated costs to restore the existing leased properties which are discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to incur at the end of the lease contract. Such costs are reasonably estimated using the average lease year and the average restoration expenses. The average lease year is calculated based on the past three-year historical data of the expired leases. The average restoration expense is calculated based on the actual costs incurred for the past three years using the three-year average inflation rate.

(*3) In a resolution of the board of directors on 20 March 2020, the Group made the following decisions: From April 2020, the Group decided to prepay 50% of the investment principal to customers who agree with the delayed maturity payment and settle the amount at the time of recovery, about the German Heritage DLS trust. As a result, the Group paid ₩ 188,810 million to customers who reached maturity as of December 31, 2021, and ₩ 229,034 million in excess of recoverable amounts including unpaid amounts not matured was recognized as a provision and the same amount was recognized as non-operating expenses.

In addition, the Group decided to voluntarily compensate customers for losses incurred by the sale of Lime funds through a resolution of the board of directors on May 19, 2020, and on June 30, 2020, the Financial Supervisory Service's Dispute Mediation Committee decided to return all principal for Trade Finance Fund sold after November, 2018. Accordingly, the Group paid ₩ 65,007 million by December 31, 2021 and recognized as non-operation expenses. The Group recognized ₩ 52,081 million, which is the amount of compensation determined by the resolution of the board of directors but not paid, and the estimated amount of additional payment based on the decision of the Dispute Mediation Committee to fully return the principal, as a provision.

In addition, the Group returned the entire principal of investment in WeWork, an unlisted stock trust sold by the Group through a resolution of the board of directors on May 26, 2021, derecognition of ₩ 17,398 million in related provisions recorded on June 30, 2021.

In addition, through a resolution of the board of directors on August 30, 2021, the Group decided to proceed with the private settlement of the post-settlement method for 10 financial products sold by the Group and recognized ₩ 97,537 million as a provision.

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17. Provisions (continued)

(b) Changes in provisions related to off-balance commitment for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021							
	Financial guarantee contract liability			Allowances for unused commitments				
	12month expected credit loss	Lifetime expected credit losses Non credit- impaired	Credit- impaired	Total	12month expected credit loss	Lifetime expected credit losses Non credit- impaired	Credit- impaired	Total
Beginning balance	₩ 2,966	39	-	3,005	1,192	272	-	1,464
Transfer to 12 months of expected credit loss	39	(39)	-	-	-	-	-	-
Transfer to total expected credit loss	-	-	-	-	(169)	169	-	-
Provision (reversal)	(302)	126	-	(177)	(708)	(423)	-	(1,131)
Net decrease	(2,233)	-	-	(2,233)	-	-	-	-
Ending balance	₩ 470	126	-	595	315	18	-	333

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17. Provisions (continued)

(b) Changes in provisions related to off-balance commitment for the years ended December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020							
	Financial guarantee contract liability			Allowances for unused commitments				
	12month expected credit loss	Lifetime expected credit losses Non credit- impaired	Credit- impaired	Total	12month expected credit loss	Lifetime expected credit losses Non credit- impaired	Credit- impaired	Total
Beginning balance	₩ 9,229	-	-	9,229	921	-	-	921
Transfer to total expected credit loss	(37)	37	-	-	(510)	510	-	-
Provision (reversal)	276	2	-	278	781	(238)	-	543
Net decrease	(6,502)	-	-	(6,502)	-	-	-	-
Ending balance	₩ 2,966	39	-	3,005	1,192	272	-	1,464

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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17. Provisions (continued)

(c) Changes in provisions (except for provisions related to off-balance commitment) for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021			
		Provisions for restoration liabilities	Allowance for litigation	Others	Total
Beginning balance	₩	4,006	206	154,214	158,426
Increases		980	-	(1,597)	(617)
Provisions		34	1,870	228,553	230,457
Reversal		(199)	-	-	(199)
Others (Changes in foreign exchange rates)		-	-	(776)	(776)
Ending balance	₩	4,821	2,076	380,394	387,291

		December 31, 2020			
		Provisions for restoration liabilities	Allowance for litigation	Others	Total
Beginning balance	₩	3,904	206	-	4,110
Increases		491	-	-	491
Decreases		-	-	(22,949)	(22,949)
Provisions		-	-	177,290	177,290
Reversal		(389)	-	-	(389)
Others (Changes in foreign exchange rates)		-	-	(127)	(127)
Ending balance	₩	4,006	206	154,214	158,426

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18. Other financial liabilities

Details of other financial liabilities as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lease liabilities (*1)	₩ 24,468	16,064
Accounts payable	4,237,212	7,135,902
Accrued expenses	47,416	44,453
Deposits for rent	71,854	69,191
Domestic exchanges payable	-	213
Account for agency business	85	103
Cash Collateral	963,469	1,145,720
	<u>5,344,504</u>	<u>8,411,646</u>
Present value discount	(7,375)	(7,577)
	₩ <u>5,337,129</u>	<u>8,404,069</u>

(*1) As of December 31, 2021, the Group treats lease liabilities as other liabilities. There is no expense equivalent to variable lease payments not included in the measurement of lease liabilities and cash outflows from leases are ₩ 8,112 million and ₩ 7,313 million for the years ended December 31, 2021 and 2020, and interest expenses on lease liabilities are ₩ 321 million and ₩ 252 million for the year ended December 31, 2021 and 2020.

19. Other liabilities

Details of other liabilities as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	₩ 10,709	7,768
Accrued expenses	201,149	154,414
Advances from customers	29,953	12,283
Unearned income	65,183	63,353
Withholding income taxes	38,393	31,584
Others	7,295	7,641
	₩ <u>352,682</u>	<u>277,043</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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20. Net commission income

Net commission income for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commission income		
Brokerage commissions	₩ 516,195	476,914
Brokerage commissions on indirect investment		
Securities collective investment securities	27,194	25,477
Underwriting commissions	73,593	61,775
Consulting commissions	82,627	57,833
Commissions on entrusted investments	18,456	14,695
Trust fees and commissions received from trust account	14,519	15,302
Others	80,484	61,128
	<u>813,068</u>	<u>713,124</u>
Commission expense		
Trading commissions	76,310	50,199
Commission on securities borrowed	21,463	19,453
Commission on Shinhan Group brand	4,922	4,922
Partnership commission	10,023	7,350
Others	60,381	60,151
	<u>173,099</u>	<u>142,075</u>
Net commission income	₩ <u>639,969</u>	<u>571,049</u>

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21. Net interest income

Net interest income for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Interest income		
Interest income on financial assets measured at FVTPL		
Interest on bonds	₩ 303,522	306,580
Interest on commercial paper	11,889	21,364
Interest on loans	25,447	53,423
Others	490	1,311
	<u>341,348</u>	<u>382,678</u>
Interest income on financial assets measured at FVOCI, financial assets measured at amortized cost and other financial assets		
Interest on deposits	11,206	27,354
Interest on bonds	23,227	38,637
Interest on loans	287,582	245,856
Others	6,167	7,305
	<u>328,182</u>	<u>319,152</u>
	<u>669,530</u>	<u>701,830</u>
Interest expense		
Interest on Borrowings	91,596	114,098
Interest on customers' deposits	3,461	6,867
Interest on bonds sold under repurchase agreements	54,241	62,115
Interest on call money	1,773	1,429
Interest on debentures	63,333	77,125
Interest on lease liabilities	321	252
Others	6,943	6,620
	<u>221,668</u>	<u>268,506</u>
Net interest income	₩ <u>447,862</u>	<u>433,324</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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22. Net gain (loss) on foreign transactions

Net gain (loss) on foreign transactions for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Gain on foreign transactions		
Gain on foreign currency transactions	₩ 526,131	738,753
Gain on foreign exchange	159,358	295,898
	<u>685,489</u>	<u>1,034,651</u>
Loss on foreign transactions		
Loss on foreign currency transactions	526,419	726,267
Loss on foreign exchange	266,577	193,493
	<u>792,996</u>	<u>919,760</u>
Net gain (loss) on foreign transactions	₩ <u>(107,507)</u>	<u>114,891</u>

23. General and administrative expenses

General and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Personnel expenses		
Salary and other benefits for employees	₩ 437,569	380,451
Early retirement	17,016	5,958
Severance pay	39,205	20,778
	<u>493,790</u>	<u>407,187</u>
Depreciation	29,292	24,302
Amortization of intangible assets	9,717	7,664
Others		
Rent expense	8,422	9,701
Entertainment expense	6,038	6,336
Advertising expense	33,018	17,074
Computer system operation expense	31,148	21,100
Research and study expense	14,473	10,284
Communication expense	12,958	9,875
Maintenance and repairs expense	5,101	4,763
Tax and dues	33,146	29,581
Lease expenses	811	681
Others	56,540	43,803
	<u>201,655</u>	<u>153,198</u>
	₩ <u>734,454</u>	<u>592,351</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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24. Other operating revenues and expenses

Other operating revenues and expenses for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other operating revenues		
Dividends income	₩ 47,164	33,503
Reversal of provisions for restoration liabilities	199	389
Others	17,542	6,110
	<u>₩ 64,905</u>	<u>40,002</u>
Other operating expenses		
Deposit insurance premium	₩ 5,594	1,415
Provisions for lawsuit	1,870	-
Provisions for restoration	34	-
Provisions for other obligation	-	2,645
Others	4,548	1,979
	<u>₩ 12,046</u>	<u>6,039</u>

25. Non-operating incomes and expenses

Non-operating incomes and expenses for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-operating incomes		
Gain on equity method valuation	₩ 105,652	47,441
Gain on disposal of investments in associates	16,927	6,423
Rental income	23,443	18,533
Gain on disposal of property and equipment	276	138
Gain on disposal of intangible assets	39	-
Gain on disposal of investment property	-	876
Others	2,303	5,259
	<u>₩ 148,640</u>	<u>78,670</u>
Non-operating expenses		
Loss on equity method valuation	₩ 40,311	9,681
Loss on disposals of investments in associates	12,793	7,967
Impairment loss on investment in associates	5,149	2,367
Depreciation of investment property	7,727	7,301
Donations	2,148	3,192
Loss on disposals of property and equipment	20	165
Loss on disposals of intangible assets	2,569	-
Provisions for Others	228,553	174,645
Others	19,479	44,996
	<u>₩ 318,749</u>	<u>250,314</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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26. Financial instrument classification by category

(a) Detail of financial instruments' book value as of December 31, 2021 and 2020 are as follows:

	December 31, 2021						
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial asset measured at amortized cost	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	Total
Assets:							
Cash and due from banks	₩ 2,080,626	-	3,108,505	-	-	-	5,189,131
Securities/ Derivative linked securities	24,737,292	1,361,298	-	-	-	-	26,098,590
Derivative instruments	762,861	-	-	-	-	-	762,861
Loans	660,444	-	5,215,521	-	-	-	5,875,965
Other financial assets	-	-	4,816,345	-	-	-	4,816,345
	₩ 28,241,223	1,361,298	13,140,371	-	-	-	42,742,892
Liabilities:							
Deposits	-	-	-	-	-	3,594,669	3,594,669
Securities sold/ Derivative linked securities	-	-	-	785,564	8,023,870	-	8,809,434
Derivative instruments	-	-	-	608,222	-	-	608,222
Borrowings	-	-	-	-	-	20,181,075	20,181,075
Other financial liabilities	-	-	-	-	-	5,337,129	5,337,129
	₩ -	-	-	1,393,786	8,023,870	29,112,873	38,530,529

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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26. Financial instrument classification by category (continued)

(a) Detail of financial instruments' book value as of December 31, 2021 and 2020 are as follows:

	December 31, 2020						
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial asset measured at amortized cost	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	Total
Assets:							
Cash and due from banks	₩ 1,907,211	-	3,418,793	-	-	-	5,326,004
Securities/	22,869,193	2,636,280	-	-	-	-	25,505,473
Derivative linked securities	895,519	-	-	-	-	-	895,519
Derivative Instruments	1,107,651	-	4,738,127	-	-	-	5,845,778
Loans	-	-	7,543,958	-	-	-	7,543,958
Other financial assets	₩ 26,779,574	2,636,280	15,700,878	-	-	-	45,116,732
Liabilities:							
Deposits	₩ -	-	-	-	3,751,006	-	3,751,006
Securities sold/	-	-	-	897,129	-	-	9,352,853
Derivative linked securities	-	-	-	8,455,724	-	-	9,352,853
Derivative Instruments	-	-	-	663,430	-	-	663,430
Borrowings	-	-	-	-	19,600,249	-	19,600,249
Other financial liabilities	-	-	-	-	8,404,069	-	8,404,069
	₩ -	-	-	1,560,559	8,455,724	31,755,324	41,771,607

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26. Financial instrument classification by category (continued)

(b) Gains or losses of financial instruments for the years ended December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets measured at FVTPL			
Gain on valuation	₩	429,348	272,226
Gain on sale		641,692	935,804
Other gains		145,292	131,298
Loss on valuation		(428,385)	(531,364)
Loss on sale		(508,628)	(661,391)
	₩	<u>279,319</u>	<u>146,573</u>
Derivatives			
Gain on valuation	₩	601,354	811,332
Gain on sale		2,689,616	3,341,292
Loss on valuation		(636,119)	(629,362)
Loss on sale		(2,392,722)	(3,984,015)
	₩	<u>262,129</u>	<u>(460,753)</u>
Financial assets measured at FVOCI			
Gain on sale	₩	8,450	14,651
Gain on reversal		296	-
Loss on sale		(19,287)	(7,263)
Loss on reversal		(41)	(50)
Gain on valuation (other comprehensive income)		15,818	22,564
	₩	<u>5,236</u>	<u>29,902</u>
Financial assets measured at amortized cost			
Credit loss reversal	₩	660	-
Provision for credit loss on loans		(74,202)	(105,756)
Provision for credit loss on other assets		(8,156)	(5,169)
	₩	<u>(81,698)</u>	<u>(110,925)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

26. Financial instrument classification by category (continued)

(b) Gains or losses of financial instruments for the years ended December 31, 2021 and 2020 are as follows (continued):

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities measured at FVTPL			
Gain on valuation	₩	20,179	10,522
Gain on redemption		86,305	285,185
Loss on valuation		(27,927)	(58,783)
Loss on redemption		(153,827)	(202,812)
	₩	<u>(75,270)</u>	<u>34,112</u>
Financial liabilities designated at FVTPL			
Gain on valuation	₩	658,011	528,580
Gain on redemption		76,847	470,467
Loss on valuation		(234,097)	(287,514)
Loss on redemption		(589,062)	(513,294)
Adjustment of credit risk		(1,526)	(9,689)
	₩	<u>(89,827)</u>	<u>188,550</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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27. Financial instruments

The notes provide current information on the judgments and estimates that the Group has used to determine the fair value of financial instruments. There were no significant changes in the business and economic environment during the current year that affect the fair value of the financial assets and financial liabilities of the Group.

(a) Measurement of fair value

The fair value which the Group primarily uses for measurement of financial instruments are the published price quotations in an active market which are based on the market prices or the dealer price quotations of financial instruments traded in an active market where available, which are the best evidence of fair value.

If the market for a financial instrument is not active, fair value is established either by using a valuation technique or independent third-party valuation service. The Group uses diverse valuation techniques using certain assumptions which are based on the inputs observable in markets at the end of each reporting date. In addition, unobservable inputs used in fair value measurements are produced by external evaluators and internal systems, and the adequacy of the calculated inputs is always reviewed.

The risk management department is responsible for reviewing external valuation methodologies, determining valuation techniques related to self-evaluation, and reviewing appropriateness of valuation techniques. Major decisions are made through the Fair Value Evaluation Committee.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. For example, the fair value for an interest swap is the present value of estimated future cash flows, and the fair value for a foreign exchange forwards contract is measured using the published forward exchange rate at the end of each reporting period.

(b) The Group classifies and discloses fair value of the financial instruments into the three-level hierarchy as follows:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the years ended December 31, 2021 and 2020

27. Financial instruments (continued)

(c) Financial instruments measured at amortized cost

(i) *The method of measuring the fair value of financial instruments measured at amortized cost is as follows:*

<u>Type</u>	<u>Measurement methods of fair value</u>
Cash and due from banks	The book value and the fair value for cash are identical and most deposits are floating interest rate deposits or deposits that are a short-term instrument. For this reason, the book value is used as a substitute figure for the fair value.
Loans	The book value is used as a substitute figure for the fair value as it could be regarded appropriate to fair value.
Deposits and borrowings	The book value and the fair value for demand deposits that are short-term instruments are identical. The fair value of borrowings is measured by discounting the contractual cash flows at the market interest rate that takes into account the residual risk.
Other assets and other liability	Rental deposit, other financial assets and other financial liabilities were used at fair value.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

27. Financial instruments (continued)

(c) Financial instruments measured at amortized cost (continued)

(ii) The financial instruments measured at amortized cost as of December 31, 2021 and 2020 are as follows:

		December 31, 2021				
		Book value				
		Balance	Unamortized balance	Allowance	Total	Fair value
Assets						
Cash and due from banks						
measured at amortized cost:						
	Cash and cash equivalents	₩ 998,683	-	-	998,683	998,683
	Due from banks	2,109,822	-	-	2,109,822	2,109,822
		<u>3,108,505</u>	<u>-</u>	<u>-</u>	<u>3,108,505</u>	<u>3,108,505</u>
Loans measured at amortized cost:						
	Retail	2,311,666	(1,866)	(300)	2,309,500	2,309,500
	Corporate	3,128,835	(20,594)	(202,221)	2,906,020	2,906,020
		<u>5,440,501</u>	<u>(22,460)</u>	<u>(202,521)</u>	<u>5,215,520</u>	<u>5,215,520</u>
	Other financial assets	4,845,725	(3,605)	(25,775)	4,816,345	4,816,345
		<u>₩ 13,394,731</u>	<u>(26,065)</u>	<u>(228,296)</u>	<u>13,140,370</u>	<u>13,140,370</u>
Liabilities						
	Deposits	₩ 3,594,669	-	-	3,594,669	3,594,669
Borrowings:						
	Call money	140,500	-	-	140,500	140,500
	Bonds sold under repurchase agreements	10,512,937	-	-	10,512,937	10,512,937
	Borrowings	5,547,171	(869)	-	5,546,302	5,546,302
	Debt securities issued	3,984,140	(2,804)	-	3,981,336	3,992,428
		<u>20,184,748</u>	<u>(3,673)</u>	<u>-</u>	<u>20,181,075</u>	<u>20,192,167</u>
	Other financial liabilities	5,344,504	(7,375)	-	5,337,129	5,337,129
		<u>₩ 29,123,921</u>	<u>(11,048)</u>	<u>-</u>	<u>29,112,873</u>	<u>29,123,965</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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27. Financial instruments (continued)

(c) Financial instruments measured at amortized cost (continued)

(ii) The financial instruments measured at amortized cost as of December 31, 2021 and 2020 are as follows (continued)
:

		December 31, 2020				
		Book value				
		Balance	Unamortized balance	Allowance	Total	Fair value
Assets						
Cash and due from banks						
measured at amortized cost:						
	Cash and cash equivalents	₩ 1,317,975	-	-	1,317,975	1,317,975
	Due from banks	2,100,818	-	-	2,100,818	2,100,818
		<u>3,418,793</u>	<u>-</u>	<u>-</u>	<u>3,418,793</u>	<u>3,418,793</u>
Loans measured at amortized cost:						
	Retail	2,017,454	(1,071)	(291)	2,016,092	2,016,092
	Corporate	2,860,514	(9,747)	(128,732)	2,722,035	2,722,035
		<u>4,877,968</u>	<u>(10,818)</u>	<u>(129,023)</u>	<u>4,738,127</u>	<u>4,738,127</u>
	Other financial assets	7,569,739	(6,443)	(19,338)	7,543,958	7,543,958
		<u>₩ 15,866,500</u>	<u>(17,261)</u>	<u>(148,361)</u>	<u>15,700,878</u>	<u>15,700,878</u>
Liabilities						
	Deposits	₩ 3,751,006	-	-	3,751,006	3,751,006
Borrowings:						
	Call money	105,000	-	-	105,000	105,000
	Bonds sold under repurchase agreements	10,123,503	-	-	10,123,503	10,123,503
	Borrowings	6,365,618	(1,147)	-	6,364,471	6,364,471
	Debt securities issued	3,010,035	(2,760)	-	3,007,275	3,058,511
		<u>19,604,156</u>	<u>(3,907)</u>	<u>-</u>	<u>19,600,249</u>	<u>19,651,485</u>
	Other financial liabilities	8,411,646	(7,577)	-	8,404,069	8,404,069
		<u>₩ 31,766,808</u>	<u>(11,484)</u>	<u>-</u>	<u>31,755,324</u>	<u>31,806,560</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

(In millions of won)

27. Financial instruments (continued)

(c) Financial instruments measured at amortized cost (continued)

(iii) Details of financial instruments measured at amortized cost by the level in the fair value hierarchy is categorized as of December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and due from banks measured at amortized cost:				
Cash and cash equivalents	₩ 998,683	-	-	998,683
Deposits measured at amortized cost	-	2,109,822	-	2,109,822
Loans measured at amortized cost:				
Retail	-	-	2,309,500	2,309,500
Corporate	-	-	2,906,020	2,906,020
Other financial assets	-	360,716	4,455,629	4,816,345
	<u>₩ 998,683</u>	<u>2,470,538</u>	<u>9,671,149</u>	<u>13,140,370</u>
Liabilities				
Deposits	₩ -	3,594,669	-	3,594,669
Call money	-	140,500	-	140,500
Bonds sold under repurchase agreements	-	-	10,512,937	10,512,937
Borrowings	-	-	5,546,302	5,546,302
Debt	-	-	3,992,428	3,992,428
Other financial liabilities	-	361,038	4,976,091	5,337,129
	<u>₩ -</u>	<u>4,096,207</u>	<u>25,027,758</u>	<u>29,123,965</u>
December 31, 2020				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and due from banks measured at amortized cost:				
Cash and cash equivalents	₩ 1,317,975	-	-	1,317,975
Deposits measured at amortized cost	-	2,100,818	-	2,100,818
Loans measured at amortized cost:				
Retail	-	-	2,016,092	2,016,092
Corporate	-	-	2,722,035	2,722,035
Other financial assets	-	190,948	7,353,010	7,543,958
	<u>₩ 1,317,975</u>	<u>2,291,766</u>	<u>12,091,137</u>	<u>15,700,878</u>
Liabilities				
Deposits	₩ -	3,751,006	-	3,751,006
Call money	-	105,000	-	105,000
Bonds sold under repurchase agreements	-	-	10,123,503	10,123,503
Borrowings	-	-	6,364,471	6,364,471
Debt	-	-	3,058,511	3,058,511
Other financial liabilities	-	190,908	8,213,161	8,404,069
	<u>₩ -</u>	<u>4,046,914</u>	<u>27,759,646</u>	<u>31,806,560</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

27. Financial instruments (continued)

(d) Financial instruments measured at fair value

(i) Details of financial instruments measured at fair value by the level in the fair value hierarchy is categorized as of December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at FVTPL:				
Debt securities	₩ 5,055,556	12,630,234	450,068	18,135,858
Equity securities	640,077	-	308,711	948,788
Deposits	-	2,080,626	-	2,080,626
Loans (*1)	-	-	660,444	660,444
Others (*2)	924,305	2,442,572	2,285,768	5,652,645
Derivative assets:				
Trading purpose	11,378	223,757	527,726	762,861
Financial assets measured at FVOCI				
Debt securities	304,864	828,744	-	1,133,608
Equity securities	-	-	227,691	227,691
Total financial assets:	₩ 6,936,180	18,205,933	4,460,408	29,602,521
Liabilities				
Trading financial liabilities at FVTPL:				
Securities sold	₩ 785,564	-	-	785,564
Derivative liabilities:				
Trading purpose	190,412	264,727	153,084	608,223
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold (*2)	-	401,344	7,622,526	8,023,870
Total financial liabilities:	₩ 975,976	666,071	7,775,610	9,417,657

(*1) The P-note valuation of Lime Asset Management among financial assets at fair value through profit or loss invested by the Group was ₩ 157.9 billion, and an international dispute is under way in this regard, as of December 31, 2021. The Group estimated fair value considering subsequent changes in the situation. Accounting significant estimates and assumptions about the future used in the preparation of the consolidated financial statements may result in adjustments due to changes in uncertainty, such as future available information and market conditions. However, the ultimate impact on the business, financial condition, performance, and liquidity of the Group cannot be predicted.

(*2) GEN2 Partners Asset Management related financial instruments (beneficiary certificates ₩ 300.2 billion and derivative securities sold ₩ 300.2 billion) suffered repurchase delays during the prior year, and the Group estimated fair value based on net asset value on the latest available data and, therefore, there is uncertainty of fair value measurement due to subsequent market situation change.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

27. Financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

(i) Details of financial instruments measured at the fair value by the level in the fair value hierarchy is categorized as of December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at FVTPL:				
Debt securities	₩ 4,745,470	12,355,999	241,595	17,343,064
Equity securities	424,992		224,526	649,518
Deposits	-	1,907,210	-	1,907,210
Loans (*1)	-	-	1,107,651	1,107,651
Others (*2)	672,587	1,940,024	2,264,000	4,876,611
Derivative assets:				
Trading purpose	125,335	364,871	405,313	895,519
Financial assets measured at FVOCI				
Debt securities	827,204	1,627,434	-	2,454,638
Equity securities	-	-	181,642	181,642
Total financial assets:	₩ <u>6,795,588</u>	<u>18,195,538</u>	<u>4,424,727</u>	<u>29,415,853</u>
Liabilities				
Trading financial liabilities at FVTPL:				
Securities sold	₩ 897,129	-	-	897,129
Derivative liabilities:				
Trading purpose	161,629	418,532	83,269	663,430
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold (*2)	-	314,220	8,141,504	8,455,724
Total financial liabilities:	₩ <u>1,058,758</u>	<u>732,752</u>	<u>8,224,773</u>	<u>10,016,283</u>

(*1) The P-note valuation of Lime Asset Management among financial assets at fair value through profit or loss invested by the Group was ₩ 161.2 billion, and an international dispute is under way in this regard, as of December 31, 2020. The Group estimated fair value considering subsequent changes in the situation. Accounting significant estimates and assumptions about the future used in the preparation of the consolidated financial statements may result in adjustments due to changes in uncertainty, such as future available information and market conditions. However, the ultimate impact on the consolidated financial position, financial performance and cash flows of the Group's cannot be predicted.

(*2) GEN2 Partners Asset Management related financial instruments (beneficiary certificates ₩ 211.7 billion and derivative securities sold ₩ 211.7 billion) suffered repurchase delays during the year, and the Group estimated fair value based on net asset value on the latest available data and, therefore, there is uncertainty of fair value measurement due to subsequent market situation change.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

27. Financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

(ii) Changes in level 3 of the fair value hierarchy for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021					
		Loans measured at FVTPL	Securities measured at FVTPL	Financial assets designated at FVOCI	Financial liabilities designated at FVTPL	Derivative instrument s	Total
Beginning balance	₩	1,107,651	2,730,121	181,642	(8,141,504)	322,044	(3,800,046)
Total income		(70,608)	72,180	26,346	(275,062)	346,264	99,120
Profit or loss (*1)		(84,720)	72,180	-	(273,536)	346,264	60,188
Other comprehensive income		14,112	-	26,346	(1,526)	-	38,932
Purchases and issuances		534,669	1,240,725	19,703	(8,488,978)	4,213	(6,689,668)
Sales and settlements		(911,268)	(1,168,303)	-	9,283,018	(297,879)	6,905,568
Transferred to level 3 (*2)		-	174,567	-	-	-	174,567
Transferred from level 3		-	(4,743)	-	-	-	(4,743)
Ending balance	₩	660,444	3,044,547	227,691	(7,622,526)	374,642	(3,315,202)
		December 31, 2020					
		Loans measured at FVTPL	Securities measured at FVTPL	Financial assets designated at FVOCI	Financial liabilities designated at FVTPL	Derivative instrument s	Total
Beginning balance	₩	1,217,303	2,931,041	163,661	(8,511,489)	341,882	(3,857,602)
Total income		(203,502)	77,205	17,101	(206,432)	54,375	(261,253)
Profit or loss (*1)		(207,240)	77,205	-	(196,743)	54,375	(272,403)
Other comprehensive income		3,738	-	17,101	(9,689)	-	11,150
Purchases and issuances		1,305,222	1,355,058	880	(9,043,503)	466	(6,381,877)
Sales and settlements		(1,211,372)	(1,984,590)	-	9,928,472	(74,679)	6,657,831
Transferred to level 3 (*2)		-	351,407	-	(308,552)	-	42,855
Ending balance	₩	1,107,651	2,730,121	181,642	(8,141,504)	322,044	(3,800,046)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

27. Financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

(ii) Changes in level 3 of the fair value hierarchy for the years ended December 31, 2021 and 2020 are as follows (continued):

(*1) Recognized profit or loss of the changes in carrying value of financial instruments classified as Level 3 for the years ended December 31, 2021 and 2020, are included in the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	December 31, 2021		December 31, 2020	
	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31
Gain(loss) on financial assets measured at FVTPL	₩ 333,724	100,890	(75,660)	(212,941)
Gain(loss) on financial liabilities designated at FVTPL	(273,536)	186,003	(196,743)	(189,885)
	₩ 60,188	286,893	(272,403)	(23,056)

(*2) The change in the availability of observable market data for the financial investment occurred between levels. The Group recognizes the variation in levels at the beginning of the reporting period in which an event or situation that causes the movement between levels occurred.

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27. Financial instruments (continued)

(d) Financial instruments measured at fair value (continued)

(iii) *Deferred profit and loss*

In evaluating fair value of OTC derivatives using unobservable market data, if calculated fair value differs from transaction price, the Group recognizes the transaction price as fair value of financial instruments. Difference between transaction cost and fair value is recognized deferred and amortized for the transaction period. If the evaluating factors become observable in markets, deferred amount is recognized to profit or loss immediately.

Day 1 profit or loss for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Beginning balance	₩ (290,382)	(167,104)
New transactions	(207,034)	(347,120)
Amounts recognized in profit or loss during the period	337,129	223,842
Ending balance	₩ (160,287)	(290,382)

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27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market

(i) Information about valuation technique and inputs used at December 31, 2021 and 2020 in the fair value measurement of financial instruments classified as level 2 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2021	Inputs
Assets				
Financial assets measured at FVTPL	DCF, Net asset method	Debt securities	₩ 12,630,234	Interest rate, credit spread, etc.
		Others	4,523,197	Price of underlying asset, Discount rate, Dividend yield, etc.
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo Simulation	Interest	36,357	Discount curve, etc
		Currency	170,169	Exchange Rate Notified by SMBS
		Stock	3,949	Index notified by the KRX Exchange, etc
		Commodity	13,283	Index announced by Bloomberg, etc.
Securities measured at FVOCI	DCF	Debt securities	828,744	Interest rate, credit spread, etc.
			<u>₩ 18,205,933</u>	
Liabilities				
Derivative liabilities	Black-Scholes model, Hull-White model, Monte Carlo Simulation	Interest	₩ 39,171	Discount curve, etc
		Currency	156,871	Exchange Rate Notified by SMBS
		Stock	65,536	Index notified by the KRX Exchange, etc
		Commodity	3,149	Index announced by Bloomberg, etc.
Financial liabilities designated at FVTPL	Black-Scholes model	Derivative securities	401,344	Discount curve, etc
			<u>₩ 666,071</u>	

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27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(i) Information about valuation technique and inputs used at December 31, 2021 and 2020 in the fair value measurement of financial instruments classified as level 2 are as follows (continued):

Type of financial instrument	Valuation technique	Classification	December 31, 2020	Inputs
Assets				
Financial assets measured at FVTPL	DCF, Net asset method	Debt securities	₩ 12,355,999	Interest rate, credit spread, etc.
		Others	3,847,234	price of underlying asset, Discount rate, Dividend yield, etc.
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo Simulation	Interest	39,223	Discount curve, etc
		Currency	307,938	Exchange Rate Notified by SMBS
		Stock	11,224	Index notified by the KRX Exchange, etc
		Credit	1,432	Reserved assets Hazard Rate
		Commodity	5,054	Index announced by Bloomberg, etc.
Securities measured at FVOCI	DCF	Debt securities	1,627,434	Interest rate, credit spread, etc.
			<u>₩ 18,195,538</u>	
Liabilities				
Derivative liabilities	Black-Scholes model, Hull-White model, Monte Carlo Simulation	Interest	₩ 61,261	Discount curve, etc
		Currency	291,752	Exchange Rate Notified by SMBS
		Stock	33,034	Index notified by the KRX Exchange, etc
		Credit	704	Reserved assets Hazard Rate
		Commodity	31,781	Index announced by Bloomberg, etc.
Financial liabilities designated at FVTPL	Black-Scholes model	Derivative securities	314,220	Discount curve, etc
			<u>₩ 732,752</u>	

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27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2021 and 2020 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2021	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
Assets							
Trading assets measured at FVTPL	DCF	Debt securities, loans	₩ 1,110,513	Interest rate, credit spread, etc.	0.195~0.727	N/A	Volatility of underlying assets : Positive
	Net asset method, Binomial Model, DCF, Black-Scholes model			Price of underlying asset, The volatility of underlying asset, Discount rate, Growth rate, etc.			Volatility of underlying assets : Positive, Correlation : Positive
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo simulation	Equity securities, others Stock Currency Interest Credit	2,594,479 27,920 23 5,954 493,829		0.16~0.319 0.14~0.5 0.067~0.14 0.007 0.052~0.937	0.00~0.54 -0.049~0.909 -0.033 0.8~0.818 N/A	Volatility of underlying assets : Positive, Correlation : Positive Volatility of underlying assets : Positive, Correlation : Positive Discount rate : Negative, Growth rate : Positive
Securities measured at FVOCI	DCF		₩ 227,690 4,460,408	Discount rate, Growth rate	Discount rate: 9.9~15.6% Growth rate: 0~2%		

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27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2021 and 2020 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2021	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
Liabilities							
Derivative liabilities	Black-Scholes model, Hull-White model, Monte Carlo simulation	Stock Currency Interest Commodity Credit Derivative securities	₩ 12,042 323 75,616 50,981 14,123		0.14~0.424 0.069 0.005~0.007 0.019~0.949 0.052~1.008	-0.049~-0.909 -0.033~0 0~-0.818 N/A N/A	Volatility of underlying assets : Positive, Correlation : Positive - Volatility of underlying assets : Positive, Correlation : Positive
Financial liabilities designated at FVTPL	Black-Scholes model	sold		The volatility of the underlying asset, correlations The volatility of the underlying asset, correlations	0.005~0.949	-0.115~-0.885	
				7,622,526			
			₩	7,775,610			

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

(In millions of won)

27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2021 and 2020 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2020	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
Assets							
Trading assets measured at FVTPL	DCF	Debt securities, loans	₩ 1,349,246	Interest rate, credit spread, etc.	0.05~0.61	N/A	Volatility of underlying assets : Positive
	Net asset method, Binomial Model, DCF, Black-Scholes model	Equity securities, others	2,488,526	Price of underlying asset, The volatility of underlying asset, Discount rate, Growth rate, etc.	0.21~0.40	0.20~0.79	Volatility of underlying assets : Positive, Correlation : Positive
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo simulation	Stock Currency Interest Commodity Credit	111,037 1 21,234 895 272,146		0.19~1.27 0.07~0.37 0.005~0.006 0.005~0.402 N/A	-0.05~0.82 -0.03 0.26~0.85 -0.43~0.92 N/A	Volatility of underlying assets : Positive, Correlation : Positive Volatility of underlying assets : Positive, Correlation : Positive Volatility of underlying assets : Positive, Correlation : Positive
Securities measured at FVOCI	DCF		₩ 181,642	Discount rate, Growth rate			Discount rate : Negative, Growth rate : Positive
			<u>₩ 4,424,727</u>				

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2021 and 2020 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2020	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
Liabilities							
Derivative liabilities	Black-Scholes model, Hull-White model, Monte Carlo simulation	₩ Stock Currency Interest	21,367 71 31,941	The volatility of the underlying asset, correlations	0.19~0.61 0.07~0.37 0.005~0.396	0.11~0.82 -0.03~-0.03 0.83~0.85	Volatility of underlying assets : Positive, Correlation : Positive
		Commodity	2,037		0.006~1.019	-0.43~-0.92	
	Black-Scholes model	Credit	27,853	The volatility of the underlying asset, correlations	N/A	N/A	-
Financial liabilities designated at FVTPL	Black-Scholes model	Derivative securities sold	8,141,504	The volatility of the underlying asset, correlations	0.005~1.273	-0.43~-0.92	Volatility of underlying assets : Positive, Correlation : Positive

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27. Financial instruments (continued)

(f) Sensitivity to changes in input variables that are not observable

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

For level 3 fair value measurement, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effect on profit or loss, or other comprehensive income:

		December 31, 2021	
		Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss (*1)			
Financial assets measured at FVTPL	₩	12,326	(14,500)
Derivative assets		16,831	(11,746)
Securities measured at FVOCI (*2)		19,804	(14,065)
	₩	<u>48,961</u>	<u>(40,312)</u>
Financial liabilities at fair value through profit or loss (*1)			
Financial liabilities designated at FVTPL	₩	45,493	(50,845)
Derivative liabilities		18,101	(16,433)
	₩	<u>63,594</u>	<u>(67,277)</u>

(*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset (-10~10%) or correlations (-10~10%).

(*2) Fair value changes are calculated by increasing or decreasing discount rate (-1~1%) or growth rate (-1~1%).

		December 31, 2020	
		Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss (*1)			
Financial assets measured at FVTPL	₩	28,731	(27,054)
Derivative assets		22,839	(21,347)
Securities measured at FVOCI (*2)		12,121	(8,215)
	₩	<u>63,691</u>	<u>(56,616)</u>
Financial liabilities at fair value through profit or loss (*1)			
Financial liabilities designated at FVTPL	₩	72,042	(71,690)
Derivative liabilities		14,060	(13,127)
	₩	<u>86,102</u>	<u>(84,817)</u>

(*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset (-10~10%) or correlations (-10~10%).

(*2) Fair value changes are calculated by increasing or decreasing discount rate (-1~1%) or growth rate (-1~1%).

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27. Financial instruments (continued)

(g) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows:

	December 31, 2021					
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial instruments set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets						
Derivatives, etc. (*1)	₩ 752,020	-	752,020	(267,709)	(409,487)	74,824
Bonds purchased under repurchase agreements (*3)	10,412,353	-	10,412,353	(10,412,353)	-	-
Securities loaned (*3)	8,109	-	8,109	(8,109)	-	-
Domestic exchange settlement debit (*1)	195,619	-	195,619	(165,042)	-	30,577
Other financial instruments (*4)	7,291,328	(3,542,674)	3,748,654	(2,833,162)	-	915,492
	<u>₩ 18,659,429</u>	<u>(3,542,674)</u>	<u>15,116,755</u>	<u>(13,686,375)</u>	<u>(409,487)</u>	<u>1,020,893</u>
Liabilities						
Derivatives, etc. (*1),(*2)	₩ 8,443,126	-	8,443,126	(875,169)	(1,000)	7,566,957
Bonds purchased under repurchase agreements (*3)(*5)	10,512,937	-	10,512,937	(10,410,930)	-	102,007
Securities borrowed (*3)	785,564	-	785,564	(785,564)	-	-
Domestic exchange settlement pending (*1)	165,042	-	165,042	(165,042)	-	-
Other financial instruments (*4)	7,294,794	(3,542,674)	3,752,120	(2,833,162)	-	918,958
	<u>₩ 27,201,463</u>	<u>(3,542,674)</u>	<u>23,658,789</u>	<u>(15,069,867)</u>	<u>(1,000)</u>	<u>8,587,922</u>

(*1) Some of the Group's OTC derivatives are traded under the International Swaps and Derivatives Association (ISDA) contract. Under the agreement, any derivative transaction with the counterparty will be terminated in the event of a credit event, such as the other party's bankruptcy. At the time of termination, the parties to the transaction will pay the amount offsetting to be paid or payable for each transaction.

(*2) The total amount of financial liabilities recognized as of December 31, 2021 included ₩ 8,023,870 million in other derivative securities. In the course of the transaction, the Group provides collateral for some transactions, and the ₩ 717,841 million financial instruments provided as collateral are included in non-offset financial instruments. Of the total amount of financial liabilities recognized on December 31, 2021, the transaction amount with the offset contract is ₩ 445,128 million.

(*3) Trade transactions under repurchase agreements and securities are also subject to similar agreements to ISDA contracts.

(*4) It is presented in net amount at statement of financial because of holding the right of legal offsetting as an account that handles bonds and liabilities arising from transactions with customers and exchanges and paying in net.

(*5) Sales of bonds under repurchase agreements to customers are included.

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27. Financial instruments (continued)

(g) Offsetting financial assets and financial liabilities (continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows (continued):

	December 31, 2020				Net amount
	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial instruments set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position	
				Financial instruments	Cash collateral received
Assets					
Derivatives, etc. (*1)	₩ 770,184	-	770,184	(226,658)	(247,330)
Bonds purchased under repurchase agreements (*3)	10,592,496	-	10,592,496	(10,228,904)	-
Securities loaned (*3)	99,670	-	99,670	(99,670)	-
Domestic exchange settlement debit (*1)	116,477	-	116,477	(116,290)	-
Other financial instruments (*4)	13,171,077	(6,502,695)	6,668,382	(74,685)	-
	₩ 24,749,903	(6,502,695)	18,247,208	(10,746,206)	(247,330)
Liabilities					
Derivatives, etc. (*1),(*2)	₩ 8,957,696	-	8,957,696	(1,374,722)	(1,000)
Bonds purchased under repurchase agreements (*3)	10,123,502	-	10,123,502	(10,123,502)	-
Securities borrowed (*3)	897,129	-	897,129	(897,129)	-
Domestic exchange settlement pending (*1)	74,618	-	74,618	(74,471)	-
Other financial instruments (*4)	13,236,852	(6,502,695)	6,734,157	(116,504)	-
	₩ 33,289,797	(6,502,695)	26,787,102	(12,586,328)	(1,000)

(*1) Some of the Group's OTC derivatives are traded under the International Swaps and Derivatives Association (ISDA) contract. Under the agreement, any derivative transaction with the counterparty will be terminated in the event of a credit event, such as the other party's bankruptcy. At the time of termination, the parties to the transaction will pay the amount offsetting to be paid or payable for each transaction.

(*2) The total amount of financial liabilities recognized as of December 31, 2020 included ₩ 8,455,724 million in other derivative securities. In the course of the transaction, the Group provides collateral for some transactions, and the ₩ 1,087,349 million financial instruments provided as collateral are included in non-offset financial instruments. Of the total amount of financial liabilities recognized on December 31, 2020, the transaction amount with the offset contract is ₩ 693,017 million.

(*3) Trade transactions under repurchase agreements and securities are also subject to similar agreements to ISDA contracts.

(*4) It is presented in net amount at statement of financial because of holding the right of legal offsetting as an account that handles bonds and liabilities arising from transactions with customers and exchanges and paying in net.

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28. Financial risk management

(a) General information of risk management

The principal risks to which the Group is exposed are credit risk, market risk, interest risk, operational risk and liquidity risk. These risks are recognized, measured and reported in accordance with risk management guidelines established at the controlling company level and implemented at the subsidiary level through a carefully stratified checks-and-balances system.

(b) Risk management principles

The Group risk management is guided by the following core principles:

- identifying and managing all inherent risks;
- standardizing risk management process and methodology;
- ensuring supervision and control of risk management independent of business activities;
- continuously assessing risk preference;
- preventing risk concentration;
- operating a precise and comprehensive risk management system including statistical models; and
- balancing profitability and risk management through risk-adjusted profit management

(c) Risk management organization

(i) Risk management committee

As the highest decision-making organ for risk management, we develop risk management policies under the mandate of the board of directors and monitor their compliance. In addition, it is composed of three outside directors who deliberate on the risk propensity that the consolidated entity can bear and set limits by risk division and type.

(ii) Working committee on risk management

As a decision-making organ in charge of risk management, the transaction limit and loss limit for each product and department within the business sector limit set by the Risk Management Committee are set under the delegation of the Risk Management Committee. In addition, detailed operation plans such as system reconstruction and improvement, such as risk management system operation items determined by the committee, and the company's plan to handle crisis situations and set up crisis stages are carried out. Among all executives except the CEO of our company, it consists of risk management officers, financial officers, agenda-setting officers, and executives in charge of major business parts.

(iii) Investment review committee

As a decision-making body in charge of substantial investment and credit transactions, it is delegated by the Risk Management Committee to approve stock and bond-related products, approve contracts for IPO, over-the-counter stock registration, approve investment and loan transactions involving equity investment, and approve liquidity and credit. It consists of risk management officers, financial officers, agenda-making officers, and executives in charge of major business parts among all executives except the CEO of our company.

(iv) Investment review subcommittee

As a decision-making body related to the acquisition of the Investment Review Committee, it conducts deliberation on domestic and foreign convertible bonds, exchange bonds, bonds with warrant, and foreign financial instruments under the delegation of the Investment Review Committee.

It consists of the head of the review department, the head of the risk management department, the head of the finance department, the head of the strategy planning department, the head of the legal affairs department, and the head of the major business department.

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28. Financial risk management (continued)

(c) Risk management organization (continued)

(v) Risk Management Practice Organization

The Risk Management Headquarters consists of the Risk Management Department, the Risk Engineering Department, the Review Department, and the Supervision Department. In order to consolidate and manage the overall risks of the consolidated entity, it is responsible for the recognition, evaluation and control of the overall risks of the consolidated entity independently of the general business sector.

(d) Risk management system

(i) Risk capital management

Risk capital refers to the capital needed to compensate for potential losses (risk) when realized, and risk capital management refers to managing risk assets to ensure that risk capital is maintained at an appropriate level, taking into account risk appetite, a decision on the level of risk burden versus available capital. For risk capital management, the Group establishes and operates a risk planning process to reflect risk plans in advance when establishing financial and business plans, and establishes and operates a risk limit management system to control risks at an appropriate level.

(ii) Risk monitoring

A multidimensional risk monitoring system is established to promote preemptive risk management by regularly identifying risk factors that may affect the business environment of the consolidated entity, and the Group prepares weekly, monthly, and frequent monitoring reports to the management including the risk management manager.

(iii) Risk review

As a decision-making body in charge of substantial investment and credit transactions, it is delegated by the Risk Management Committee to approve stock and bond-related products, approve contracts for IPO, over-the-counter stock registration, approve investment and loan transactions involving equity investment, and approve liquidity and credit. It consists of risk management officers, financial officers, agenda-making officers, and executives in charge of major business parts among all executives except the CEO of our company.

(iv) Investment review subcommittee

When promoting new products and new businesses and changing major policies, risk factors are reviewed according to a predefined checklist to prevent reckless implementation of businesses that are difficult to judge risks and support rational decision-making. The risk management department has a process of pre-reviewing and post-monitoring the products, services, and projects to be promoted by the business sector. In the case of collaboration or joint promotion with other group companies, risk review is carried out after consultation with the parent company's risk management t

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(In millions of won)

28. Financial risk management (continued)

(e) Credit risk

(i) Maximum exposure to credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from due from banks, the lending process related to loans, investment activities in debt securities and off balance sheet items including purchase agreements, etc. Credit risk management is critical to the Group's business activities; thus, the Group carefully manages the credit risk exposure.

Details of the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deposits and loans measured at amortized cost (*1)		
Bank	₩ 1,945,308	2,244,107
Retail	1,864,015	1,507,272
Government	4,519	1,967
Corporate	4,509,614	4,402,054
Loans measured at FVTPL		
Corporate	660,444	1,107,651
Securities measured at FVTPL		
Debt securities	25,869,128	24,126,886
Financial assets measured at FVOCI		
Debt securities	1,133,608	2,454,638
Derivative assets	762,861	895,519
Other financial assets	4,816,345	7,543,958
	<u>41,565,843</u>	<u>44,284,053</u>
ABCP purchase agreement	107,129	122,618
Other acquisition agreement	1,198,026	262,875
	<u>1,305,155</u>	<u>385,493</u>
	<u>₩ 42,870,998</u>	<u>44,669,546</u>

(*1) Cash on hand is excluded from due from banks.

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28. Financial risk management (continued)

(e) Credit risk (continued)

(ii) Details of financial assets at credit risk of impairment as of December 31, 2021 and 2020 are as follows:

	December 31, 2021							Mitigation of credit risk due to collateral	
	12-month expected loss		Lifetime expected loss			Total	Allowances		Net
	Grade 1	Grade 2	Grade 1	Grade 2	Impaired				
Due from banks and loans at amortized cost:									
Banks	₩ 1,945,308	-	-	-	-	1,945,308	-	1,945,308	-
Retail	1,863,993	22	-	238	61	1,864,315	(300)	1,864,015	926,479
Government Corporations	4,519	-	-	-	-	4,519	-	4,519	-
	3,081,129	1,257,052	70,632	132,066	170,955	4,711,835	(202,221)	4,509,614	1,199,316
	6,894,951	1,257,073	70,632	132,304	171,017	8,525,976	(202,520)	8,323,456	2,125,794
Securities at FVOCI									
Debt securities	1,133,608	-	-	-	-	1,133,609	-	1,133,609	-
Other financial assets	4,842,119	-	-	-	-	4,842,119	(25,774)	4,816,345	-
	₩ 12,870,678	1,257,074	70,632	132,304	171,017	14,501,704	(228,295)	14,273,409	2,125,794

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

28. Financial risk management (continued)

(e) Credit risk (continued)

(ii) Details of financial assets at credit risk of impairment as of December 31, 2021 and 2020 are as follows (continued) :

	December 31, 2020							Mitigation of credit risk due to collateral		
	12-month expected loss			Lifetime expected loss			Net			
	Grade 1	Grade 2	Grade 1	Grade 2	Grade 1	Grade 2		Impaired	Total	Allowances
Due from banks and loans at amortized cost:										
Banks	₩ 2,244,107	-	-	-	-	-	-	2,244,107	-	2,244,107
Retail	1,507,142	132	-	216	-	73	73	1,507,563	(291)	1,507,272
Government Corporations	1,967	-	-	-	-	-	-	1,967	-	1,967
	2,739,397	1,388,423	99,336	134,707	168,923	168,923	168,923	4,530,786	(128,732)	4,402,054
	6,492,614	1,388,554	99,336	134,923	168,996	168,996	168,996	8,284,423	(129,022)	8,155,401
Securities at FVOCI										
Debt securities	2,049,116	405,523	-	-	-	-	-	2,454,639	-	2,454,639
Other financial assets	7,305,582	-	-	257,714	-	-	-	7,563,296	(19,338)	7,543,958
	₩ 15,847,312	1,794,077	99,336	392,637	168,996	168,996	168,996	18,302,358	(148,360)	18,153,998
										2,209,234

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28. Financial risk management (continued)

(e) Credit risk (continued)

(iii) Details of credit risk of impairment of guarantee, purchase agreements and loan commitment as of December 31, 2021 and 2020 are as follows:

		December 31, 2021			
		Guarantee and purchase agreements		Loan commitments	
		Credit risk exposure	Provision	Credit risk exposure	Provision
		12 months credit loss	12 months credit loss	12 months credit loss	12 months credit loss
Grade 1 (*1)	₩	100,929	6,200	1,168,474	-
Grade 2 (*1)		-	-	25,392	4,160
Total	₩	100,929	6,200	1,193,866	4,160

		December 31, 2020			
		Guarantee and purchase agreements		Loan commitments	
		Credit risk exposure	Provision	Credit risk exposure	Provision
		12 months credit loss	12 months credit loss	12 months credit loss	12 months credit loss
Grade 1 (*1)	₩	111,425	5,100	122,070	14,873
Grade 2 (*1)		6,093	-	101,316	24,616
Total	₩	117,518	5,100	223,386	39,489

(*1) The classification of Grade 1 and Grade 2 is as follows.

Corporation and Bank	
Grade 1	Internal credit rating BBB+ or higher
Grade 2	Internal credit rating below BBB+

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28. Financial risk management (continued)

(e) Credit risk (continued)

(iv) Concentration by location

Details of concentration by location of due from banks, loans and debt securities as of December 31, 2021 and 2020 are as follows:

	December 31, 2021				
	Korea	U.S.A	U.K.	Other	Total
Deposits and loans measured at amortized cost					
Banks	₩ 1,451,781	9,042	197,415	287,070	1,945,308
Retail	1,864,015	-	-	-	1,864,015
Government Corporations	4,519	-	-	-	4,519
	3,523,053	165,186	-	821,375	4,509,614
Loans measured at FVTPL					
Corporations	155,547	282,513	-	222,385	660,444
Securities at FVTPL					
Debt securities	24,320,882	736,061	3,262	808,923	25,869,128
Securities at FVOCI	1,121,142	-	-	12,465	1,133,608
	₩ 32,440,939	1,192,802	200,677	2,152,218	35,986,636

	December 31, 2020				
	Korea	U.S.A	U.K.	Other	Total
Deposits and loans measured at amortized cost					
Banks	₩ 1,602,438	150,967	48,867	441,835	2,244,107
Retail	1,507,272	-	-	-	1,507,272
Government Corporations	1,967	-	-	-	1,967
	3,648,567	78,077	331,834	343,577	4,402,055
Loans measured at FVTPL					
Corporations	217,546	466,812	-	423,294	1,107,651
Securities at FVTPL					
Debt securities	22,908,585	761,002	5,113	452,185	24,126,886
Securities at FVOCI	2,425,115	5,750	-	23,773	2,454,638
	₩ 32,311,490	1,462,608	385,814	1,684,664	35,844,576

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28. Financial risk management (continued)

(e) Credit risk (continued)

(v) Concentration by industry sector

Credit risk exposures for deposits, loan receivables and debt securities are classified and disclosed by the counterparty's industry. In the financial investment business, much of the industry-specific exposure is concentrated in the financial industry. In addition, the management of credit risk for specific sectors is managed by setting exposure limits by counterparties and the same.

Details of concentration by industry sector of due from banks, loans and debt securities as of December 31, 2021 and 2020 are as follows:

	December 31, 2021							
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers	Total
Deposits and loans measured at amortized cost								
Banks	₩ 1,945,308	-	141,196	-	-	-	-	1,945,308
Retail	-	-	-	-	-	-	1,864,015	1,864,015
Government Corporations (all)	2,267	-	-	-	-	2,252	-	4,519
Loans measured at FVTPL			141,196					
Corporations	610,863	4,700		14,882	20,000	10,000	-	660,446
Securities at FVTPL								
Debt securities	18,104,268	1,471,923	289,053	108,327	127,990	5,767,568	-	25,869,129
Securities at FVOCI	851,426	69,824	-	36,997	10,134	165,227	-	1,133,608
	₩ 24,106,102	1,628,432	430,249	987,729	232,843	6,737,267	1,864,015	35,986,637

	December 31, 2020							
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers	Total
Deposits and loans measured at amortized cost								
Banks	₩ 2,244,106	-	-	-	-	-	-	2,244,107
Retail	-	-	-	-	-	-	1,507,271	1,507,272
Government Corporations (all)	1,014	-	-	-	-	955	-	1,967
Loans measured at FVTPL								
Corporations	1,077,368	-	-	10,000	-	20,282	-	1,107,651
Securities at FVTPL								
Debt securities	15,628,099	1,223,055	204,384	94,436	73,408	6,903,504	-	24,126,886
Securities at FVOCI	1,501,811	202,435	80,380	27,202	10,398	632,412	-	2,454,638
	₩ 23,130,715	1,655,661	369,184	576,534	137,379	8,467,831	1,507,271	35,844,576

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28. Financial risk management (continued)

(f) Market risk

(i) *Trading position Value at Risk (VaR)*

Market risk is the risk that changes in market price, such as interest rates, equity prices, and foreign exchange rates, will affect the Group's income or the value of its trading portfolios.

The Group assesses its market risks using a variety of criteria such as standard methods that measure market risk exposure, risk valuation criteria (VaR: Value at Risk) and others, and report it daily.

Overall authority for market risk is vested in The Risk Management Committee. The Risk Management Practical Committee which is composed of the Group's financial officer, agenda initiative executive, executives of major operation departments and the Risk Management Officer (Chief Risk Officer) set risk management policy and investment limits. The Risk Management Practical Committee monitors operation departments and reports regularly to The Risk Management Committee. Operation departments which possess and manage trading assets also perform risk management on their own process.

The Group uses risk valuation techniques to evaluate, assess and control market risk, including the following measurement methods:

Risk valuation is calculated by multiplying risk weight to value of assets. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level).

The Group utilizes one-day 99.9% confidence level based VaR assuming the probability that daily loss of the portfolio would not exceed reported VaR is 99.9%. The Group uses the ten-day 99.9% confidence level-based VaR for managing market risk. VaR computation is based on historical simulation. The Group calculates the ten-day 99.9% VaR by multiplying the one-day 99.9% VaR by the square root of ten and uses such VaR on a supplemental basis.

Limitation of market risk is set within total risk limitation and calculated by multiplying the Group's average VaR with a multiplier. The Group uses this risk to manage its capital structure.

The Risk Management Department manages risk limits given by the Risk Management Committee and Risk Management Practical Committee. Risk limits are comprised of transaction limits, stop loss, and instrument limits. If limits are exceeded, the operating unit manager reports that fact, reason, and solution to the Risk Management Department head. This procedure is stipulated well, therefore the risk can be treated effectively in an emergency situation.

An analysis of trading positions VaR as of and for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021			December
		Average	Maximum	Minimum	31, 2021
Interest rate	₩	21,079	35,503	7,724	27,207
Equities		31,668	62,315	15,856	33,295
Foreign exchange		24,354	43,826	2,548	28,594
Option volatility		49,345	96,355	31,155	79,589
Portfolio diversification					(58,241)
	₩	<u>78,687</u>	<u>133,850</u>	<u>49,903</u>	<u>110,444</u>

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28. Financial risk management (continued)

(f) Market risk (continued)

(i) Trading position Value at Risk (VaR) (continued)

		December 31, 2020			December
		Average	Maximum	Minimum	31, 2020
Interest rate	₩	20,512	30,903	12,076	23,551
Equities		26,136	51,509	2,412	36,573
Foreign exchange		12,477	46,970	632	15,557
Option volatility		43,324	162,008	2,894	57,924
Portfolio diversification					(38,397)
	₩	75,226	187,985	18,648	95,207

(ii) Non-trading position VaR

Interest rate risk is the risk that changes in market interest rates will affect the Group's earnings and the economic value of the Group's net assets.

Exposure to risks of changes in the Group's earnings and the economic value of the Group's net assets due to the fluctuations of interest rates in non-trading activities will form small portion of the total risks of the Group. The risk management committee will independently measure and monitor the risks every day.

Interest rate VaR (Value at Risk) represents the maximum potential loss of net present value (NPV) over a year due to the fluctuations of market interest rates.

The Group used net present value (NPV) and simulated historical interest rate scenarios in accordance with internal model approach where the Group was able to measure maximum potential loss at 99.9% confidence level. The Group excluded trading activities in calculating VaR, used a rate of return which were calculated from past data from last three years.

Interest rate EaR (Earning at Risk) represents the maximum potential amount of changes in net income due to fluctuations of market interest rates over a year. The Group applied the maturity bucket's midpoints and standardised interest rate shock(200bp) recommended by Bank for International Settlements in calculating, including trading activities and off-balance-sheet positions.

Interest rate VaR and EaR of non-trading positions as of December 31, 2021 and 2020 are as follows:

		December 31, 2021	December 31, 2020
Interest rate VaR	₩	20,455	20,998
Interest rate EaR		54,614	98,802

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28. Financial risk management (continued)

(f) Market risk (continued)

(ii) Foreign exchange risk

Foreign exchange risk is the risk of loss that occurs due to fluctuations in future cash flows or fair values as a result of fluctuations in foreign exchange rates. Foreign exchange risk is due to differences between foreign currency denominated assets and liabilities, and is also from forward positions. The Group sets a limit for net open positions by currency.

The Group does not have of foreign currency denominated assets and liabilities that are applied to hedge accounting.

Exposures to foreign exchange risk of foreign currency denominated assets and liabilities as of December 31, 2021 and 2020 are as follows:

	December 31, 2021					
	USD	JPY	EUR	CNY	Other	Total
Assets						
Cash and due from banks measured at amortized cost ₩	1,371,700	83,857	92,327	34,301	370,875	1,953,060
Financial assets measured at FVTPL	3,527,657	525	17,216	1,115	318,448	3,864,961
Financial assets measured at FVOCI	28,676	-	-	-	-	28,676
Loans measured at amortized cost	394,216	-	-	-	37,808	432,024
Other financial assets	484,504	-	-	-	13,466	497,970
	<u>5,806,753</u>	<u>84,382</u>	<u>109,543</u>	<u>35,416</u>	<u>740,597</u>	<u>6,776,691</u>
Liabilities						
Deposits	928,833	9,851	13,736	28,396	22,557	1,003,373
Financial liabilities measured at FVTPL	1,914,824	61	5,216	1,668	2,224	1,923,993
Borrowings	2,341,794	-	-	-	43,132	2,384,926
Other financial liabilities	675,183	-	-	-	5,000	680,183
	<u>5,860,634</u>	<u>9,912</u>	<u>18,952</u>	<u>30,064</u>	<u>72,914</u>	<u>5,992,476</u>
Net assets	(53,879)	74,469	90,592	5,353	667,682	784,217
Off-balance sheet derivative exposure	1,366,352	(66,284)	(96,958)	(2,021)	(448,475)	752,614
Net position ₩	<u>1,312,473</u>	<u>8,186</u>	<u>(6,365)</u>	<u>3,332</u>	<u>219,208</u>	<u>1,536,834</u>

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28. Financial risk management (continued)

(f) Market risk (continued)

(iii) Foreign exchange risk (continued)

	December 31, 2020				
	USD	JPY	EUR	Other	Total
Assets					
Cash and due from banks measured at amortized cost	₩ 1,356,036	60,211	180,475	355,478	1,952,200
Financial assets measured at FVTPL	3,333,145	41,334	197,186	98,968	3,670,633
Financial assets measured at FVOCI	56,154	-	-	-	56,154
Loans measured at amortized cost	239,423	-	-	18,900	258,323
Other financial assets	360,509	-	37,471	15,801	413,781
	₩ 5,345,267	101,545	415,132	489,147	6,351,091
Liabilities					
Deposits	₩ 740,293	11,601	9,612	47,047	808,553
Financial liabilities measured at FVTPL	1,395,821	10,255	26,267	104,424	1,536,767
Borrowings	2,049,450	-	-	25,641	2,075,092
Other financial liabilities	592,631	-	-	9,981	602,612
	4,778,195	21,856	35,879	187,094	5,023,024
Net assets	567,073	79,689	379,253	302,053	1,328,068
Off-balance sheet derivative exposure	(735,497)	(76,211)	(201,314)	(161,032)	(1,174,054)
Net position	₩ (168,424)	3,478	177,940	141,021	154,015

The above table summarizes the Group's exposure to foreign currency translation risk as of December 31, 2021 and 2020. Among the items included in the table, the off-balance sheet account is the carrying amount of the financial instruments of the group classified as foreign currency, and the off-balance sheet account is the contracted amount.

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28. Financial risk management (continued)

(g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

In addition to liquidity risk management under the normal market situations, the Group has contingency plans to effectively cope with a possible liquidity crisis. A liquidity crisis could arise if the Group is not able to effectively manage its liquidity needs with its normal sources of funds, an epidemic financial markets crisis occurs or an abrupt deterioration of the Group's credit occurs. The Group's contingency plans correspond to the following different stages of a liquidity crisis: "liquidity risk limits", "early warning indicators" and "monitoring indicators".

The Group applies the following basic principles for liquidity risk management:

- maintain an appropriate level of liquidity risk through liquidity risk management based on liquidity gap or debt-to-equity ratio at each maturity date:
- assess and monitor net cash flows by currency and by maturity and continuously evaluate available sources of funds and possibility of disposal of any liquid assets:
- diversify source and uses of funds by product and by maturity to prevent excessive concentration in certain periods or products; and prepare contingency plans to cope with a liquidity crisis.

The Group manages its liquidity risk within the limits set on won and foreign currency by using various analysis methods such as liquidity gap and various indices including risk limits, early warning index, and monitoring index.

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28. Financial risk management (continued)

(g) Liquidity risk (continued)

(i) Contractual maturities for financial instruments

Contractual maturities for financial instruments including cash flows of principal and interest and off balance as of December 31, 2021 and 2020 are as follows:

		December 31, 2021						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Assets:								
Cash and due from bank								
	measured at							
	amortized cost	₩ 2,149,992	56,978	18,245	873,513	22,589	240	3,121,555
Loans measured at								
	FVTPL	508	1,305	56,332	42,732	407,956	163,637	672,471
Loans measured at								
	amortized cost	426,770	1,211,206	1,429,916	996,789	1,314,501	245,016	5,624,200
Securities measured at								
	FVTPL	25,611,229	838	2,996	120,135	619,836	462,883	26,817,918
	Derivative assets	762,861	-	-	-	-	-	762,861
Securities measured at								
	FVOCI	79,557	1,052,160	-	-	-	235,198	1,366,914
	Other financial assets	4,761,094	7,388	8,969	16,551	48,580	3,143	4,845,724
		<u>33,792,011</u>	<u>2,329,876</u>	<u>1,516,459</u>	<u>2,049,719</u>	<u>2,413,461</u>	<u>1,110,118</u>	<u>43,211,644</u>
Liabilities:								
	Deposits	3,594,882	-	-	-	-	-	3,594,882
Sold securities								
	measured at FVTPL	787,841	-	-	-	-	-	787,841
Financial liabilities								
	designated at FVTPL							
	(*1)	332,596	294,931	586,682	1,298,403	4,165,201	1,346,057	8,023,872
	Derivative liabilities	608,222	-	-	-	-	-	608,222
	Borrowings	6,747,280	429,556	755,727	1,399,310	5,754,958	1,411,847	16,498,679
	Debt securities issued	2,489,081	3,710	8,651	17,302	1,549,757	-	4,068,501
Other financial								
	liabilities	5,249,710	15,594	8,571	13,398	33,097	24,135	5,344,504
		<u>19,809,614</u>	<u>743,790</u>	<u>1,359,631</u>	<u>2,728,413</u>	<u>11,503,014</u>	<u>2,782,039</u>	<u>38,926,501</u>
	Net position	₩ <u>13,982,397</u>	<u>1,586,085</u>	<u>156,829</u>	<u>(678,694)</u>	<u>(9,089,552)</u>	<u>(1,671,921)</u>	<u>4,285,142</u>

The above period has been segmented based on management's judgment. The amounts presented include cash flows of principal and interest and are classified as the earliest due date when the Group's obligation to pay is based on undiscounted cash flows of financial assets and liabilities. Disposable securities at FVTPL and FVOCI are classified as the shortest or disposable earliest maturity date and the other securities at FVOCI are classified according to maturity. (Refer to note 39 for details of the remaining period of the lease liability)

(*1) Financial liabilities designated at FVTPL were classified according to contractual cash flows

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28. Financial risk management (continued)

(g) Liquidity risk (continued)

(i) Contractual maturities for financial instruments (continued)

Contractual maturities for financial instruments including cash flows of principal and interest and off balance as of December 31, 2021 and 2020 are as follows:

	December 31, 2020						
	Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Assets:							
Cash and due from bank							
measured at amortized cost	₩ 2,700,652	59,169	11,246	640,774	3,232	8,190	3,423,263
Loans measured at FVTPL	900	8,648	37,205	65,467	168,490	880,096	1,160,807
Securities measured at FVTPL	21,443,580	87,021	273,244	498,753	2,106,325	367,481	24,776,404
Derivative assets	895,519	-	-	-	-	-	895,519
Securities measured at FVOCI	2,463,739	-	-	-	-	181,642	2,645,380
Loans measured at amortized cost	306,425	1,060,445	1,806,320	503,060	1,291,379	97,408	5,065,038
Other financial assets	7,472,158	4,491	14,243	25,387	50,691	2,768	7,569,738
	<u>35,282,973</u>	<u>1,219,774</u>	<u>2,142,258</u>	<u>1,733,441</u>	<u>3,620,117</u>	<u>1,537,586</u>	<u>45,536,150</u>
Liabilities:							
Deposits	3,751,625	-	-	-	-	-	3,751,625
Sold securities							
measured at FVTPL	899,534	-	-	-	-	-	899,534
Financial liabilities							
designated at FVTPL (*1)	596,676	221,857	336,784	1,277,803	5,043,549	979,057	8,455,726
Derivative liabilities	663,430	-	-	-	-	-	663,430
Borrowings	6,625,677	1,186,763	711,683	1,232,663	5,770,431	1,193,665	16,720,883
Debt securities issued	2,013,541	204,009	6,115	12,229	863,255	-	3,099,150
Other financial liabilities	8,359,841	11,539	5,127	10,943	24,173	24	8,411,645
	<u>22,910,325</u>	<u>1,624,168</u>	<u>1,059,708</u>	<u>2,533,638</u>	<u>11,701,408</u>	<u>2,172,745</u>	<u>42,001,993</u>
Net position	₩ <u>12,372,648</u>	<u>(404,394)</u>	<u>1,082,550</u>	<u>(800,196)</u>	<u>(8,081,290)</u>	<u>(635,159)</u>	<u>3,534,157</u>

The above period has been segmented based on management's judgment. The amounts presented include cash flows of principal and interest and are classified as the earliest due date when the Group's obligation to pay is based on undiscounted cash flows of financial assets and liabilities. Disposable securities at FVTPL and FVOCI are classified as the shortest or disposable earliest maturity date and the other securities at FVOCI are classified according to maturity. (Refer to note 39 for details of the remaining period of the lease liability)

(*1) Financial liabilities designated at FVTPL were classified according to contractual cash flows

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28. Financial risk management (continued)

(g) Liquidity risk (continued)

(ii) *Contractual maturities for off balance sheet items*

The exposure to guarantees and commitments, loan commitments and other acquisition commitments and derivative instruments that are likely to be exposed to liquidity risk are presented. The amount of liquidity risk exposure for off-balance items under the standard has been classified as expiration within one month, which is the earliest period in which payment can be requested. The payment guarantee is the maximum amount that the financial institution is required to pay in the contract if the party claims the full amount of guarantee for the payment guarantee contract, and the purchase agreement is an asset purchase agreement related to asset securitization. Loan commitments and other acquisition commitments are amortization commitments and other equity and debt instruments acquisition commitments. The amount related to derivative instruments is the amounts of derivative instruments subject to hedge accounting, and the entity does not have derivatives that apply hedge accounting.

Contractual maturities for off balance sheet items as of December 31, 2021 and 2020 are as follows:

		December 31, 2021						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Payment guarantees and purchase agreement	₩	107,129	-	-	-	-	-	107,129
Loan commitments and other credit liabilities		1,198,026	-	-	-	-	-	1,198,026
	₩	1,305,155	-	-	-	-	-	1,305,155

		December 31, 2020						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Payment guarantees and purchase agreement	₩	122,618	-	-	-	-	-	122,618
Loan commitments and other credit liabilities		784,217	-	-	-	-	-	784,217
	₩	906,835	-	-	-	-	-	906,835

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28. Financial risk management (continued)

(h) Capital management

(i) Capital management

The objective of capital management is to maintain a competitive credit rating for maximizing Group value and support its going concern.

The Group manages capital risk by considering the risk concerning market status change and operating activities. The Group maintains required capital by restricting dividends, increasing capital stock and capital reduction.

(ii) Regulatory Capital Status

Financial Supervisory Service imposes limitations on the Group's net capital ratio (NCR) to maintain at over 100%, otherwise the following measures are taken:

- NCR between 50%~100%: recommending management improvement
- NCR between 0%~50%: demanding management improvement
- NCR less than 0%: ordering management improvement

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29. Operating Segments

(a) Segment information

The general descriptions of the Group's operating segments are as follows:

Description	Area of business
Retail /WM group	Loan, deposits and its related activities for retail, institution and WM (Wealth Management) customers
Wholesale group	Large company, small business, overseas operations and work involved
GIB group	Loan, deposits and its related activities for IB customers
GMS group	Investing to derivative, securities and work involved
Other	Management supporting, risk management and other supporting functions (including adjustments)

(b) Operating income and net income for each operating segment for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021					
	Retail / WM	Wholesale	GIB	GMS	Other	Total
Net operating income						
Net fees and commission income	₩ 438,597	96,856	220,369	(4,228)	(111,625)	639,969
Net gain on financial instruments, net interest income, and others	141,576	31,416	56,661	297,558	(17,201)	510,010
General and administrative expenses	371,767	50,856	132,963	124,213	54,655	734,454
Profit before income taxes	208,406	77,416	144,067	169,117	(183,481)	415,525
Income tax expense (benefit)	57,312	21,290	39,618	46,507	(69,864)	94,863
Profit for the year	₩ 151,094	56,126	104,449	122,610	(113,617)	320,662

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29. Operating Segments (continued)

(b) Operating income and profit for the year for each operating segment for the years ended December 31, 2021 and 2020 are as follows: (continued)

	December 31, 2020					
	Retail / WM	Wholesale	GIB	GMS	Other	Total
Net operating income						
Net fees and commission income (loss)	₩ 415,456	83,324	221,789	6,697	(156,217)	571,049
Net gain on financial instruments, net interest income, and others	100,318	24,182	39,190	331,376	(270,768)	224,297
General and administrative expenses	314,640	44,020	128,270	118,434	(13,013)	592,351
Profit before income taxes	201,134	63,486	132,709	219,639	(413,973)	202,995
Income tax expense (benefit)	55,312	17,458	36,495	60,401	(121,202)	48,464
Profit for the year	₩ 145,822	46,028	96,214	159,238	(292,771)	154,531

(c) The main assets for each operating segment as of December 31, 2021 and 2020 are as follows:

	December 31, 2021					
	Retail / WM	Wholesale	GIB	GMS	Other	Total
Cash and due from banks measured at amortized cost	₩ 513	65,043	316	1,209,045	1,833,588	3,108,505
Financial assets measured at FVTPL	88	964,204	1,158,824	20,439,385	5,678,722	28,241,223
Financial assets measured at FVOCI	-	-	-	1,033,935	327,363	1,361,298
Investments in associates	-	-	509,245	222,071	-	731,316
Loans measured at amortized cost	2,501,489	-	2,313,826	350,300	49,906	5,215,521
	₩ 2,502,090	1,029,247	3,982,211	23,254,736	7,889,579	38,657,863

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29. Operating Segments (continued)

(c) The main assets for each operating segment as of December 31, 2021 and 2020 are as follows: (continued)

	December 31, 2020					
	Retail / WM	Wholesale	GIB	GMS	Other	Total
Cash and due from banks measured at amortized cost	₩ 2,609	12,687	25,316	1,120,872	2,257,309	3,418,793
Financial assets measured at FVTPL	147	763,876	1,206,166	19,004,556	5,804,829	26,779,574
Financial assets measured at FVOCI	-	-	-	2,454,638	181,642	2,636,280
Investments in associates	-	-	525,974	258,365	-	784,339
Loans measured at amortized cost	2,359,270	-	1,784,928	434,357	159,572	4,738,127
	₩ 2,362,026	776,563	3,542,384	23,272,788	8,403,352	38,357,113

30. Income tax expense

(a) The components of income tax expense of the Group for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Current income tax expense	₩ 270,720	83,341
Changes in deferred tax arising from temporary differences	(163,235)	(30,517)
Deferred income tax adjustment charged or credited directly to equity	(12,622)	(4,360)
Income tax expense	₩ 94,863	48,464

(b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020 for the following reasons:

	December 31, 2021	December 31, 2020
Income before income taxes	₩ 415,525	202,995
Tax rates	27.50%	27.50%
Income taxes at statutory tax rates	114,269	55,824
Adjustments:		
Non-taxable income	(790)	(486)
Non-deductible expense	1,946	401
Others	(20,561)	(7,275)
Income tax expense	₩ 94,864	48,464
Effective tax rate	22.83%	23.87%

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30. Income tax expense (continued)

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	Beginning balance	Profit for the year	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks measured at FVTPL	₩ (9,778)	(13,170)	-	(22,948)
Bonds measured at FVTPL	24,059	(12,828)	-	11,231
Derivatives-linked securities	1,673	(275)	-	1,398
Derivatives-linked securities sold	(137,951)	1,123	-	(136,828)
Exchange traded derivatives	(15,694)	22,157	-	6,463
Over the counter derivatives	(87,659)	46,887	-	(40,772)
Other financial assets measured at FVTPL	(8)	-	-	(8)
Other financial liabilities measured at FVTPL	13,272	(9,767)	-	3,505
Financial assets measured at FVOCI	(38,232)	(1,487)	(4,349)	(44,068)
Investments in associates	114,709	25,063	(7,161)	132,611
Allowance for credit loss	5,505	33,293	-	38,798
Property and equipment and investment property	(33,368)	349	-	(33,019)
Intangible assets	(5,259)	7	-	(5,252)
Accrued income	(19,663)	1,778	-	(17,885)
Accounts payable and accrued expenses	18,540	1,456	161	20,157
Provisions	72,760	65,883	-	138,643
Day 1 profit or loss	108,758	(46,458)	-	62,300
Amortization of up-front fee	583	3,331	-	3,914
Net gain (loss) on foreign exchange translations	(25,173)	53,026	-	27,853
Credit risk of financial liabilities	1,960	-	(1,273)	687
Others	11,870	5,489	-	17,359
	₩ 904	175,857	(12,622)	164,139

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30. Income tax expense (continued)

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2020			
	Beginning balance	Profit for the year	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks measured at FVTPL	₩ (82,903)	73,125	-	(9,778)
Bonds measured at FVTPL	(8,320)	32,379	-	24,059
Derivatives-linked securities	(1,416)	3,089	-	1,673
Derivatives-linked securities sold	(26,409)	(111,542)	-	(137,951)
Exchange traded derivatives	8,860	(24,554)	-	(15,694)
Over the counter derivatives	3,628	(91,287)	-	(87,659)
Other financial assets measured at FVTPL	-	(8)	-	(8)
Other financial liabilities measured at FVTPL	(10,050)	23,322	-	13,272
Financial assets measured at FVOCI	(32,855)	844	(6,221)	(38,232)
Investments in associates	66,819	44,271	3,619	114,709
Allowance for credit loss	245	5,260	-	5,505
Property and equipment and investment property	(35,410)	2,042	-	(33,368)
Intangible assets	(5,138)	(121)	-	(5,259)
Accrued income	(16,189)	(3,474)	-	(19,663)
Accounts payable and accrued expenses	17,763	1,365	(588)	18,540
Provisions	10,761	61,999	-	72,760
Day 1 profit or loss	71,361	37,397	-	108,758
Amortization of up-front fee	2,534	(1,951)	-	583
Net gain (loss) on foreign exchange translations	309	(25,482)	-	(25,173)
Credit risk of financial liabilities	3,130	-	(1,170)	1,960
Others	3,667	8,203	-	11,870
	<u>₩ (29,613)</u>	<u>34,877</u>	<u>(4,360)</u>	<u>904</u>

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30. Income tax expense (continued)

(d) The deferred tax assets and liabilities that were directly charged or credited to equity for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021				
		Current period	Deferred tax liability	Prior Period	Tax effect	Change in deferred tax
Gain on financial asset measured at FVOCI	₩	187,269	(51,499)	171,451	(47,149)	(4,350)
Credit risk on financial liabilities		(2,506)	689	(7,133)	1,962	(1,273)
Share of the other comprehensive loss of associates		7,333	(2,017)	(352)	97	(2,114)
Foreign currency translation differences		13,652	(901)	(20,800)	4,146	(5,047)
Stock option (Capital adjustments)		2,138	(588)	2,726	(749)	161
	₩	<u>207,886</u>	<u>(54,316)</u>	<u>145,892</u>	<u>(41,693)</u>	<u>(12,623)</u>

		December 31, 2020				
		Current period	Deferred tax liability	Prior Period	Tax effect	Change in deferred tax
Gain on financial asset measured at FVOCI	₩	171,451	(47,149)	148,887	(40,928)	(6,221)
Credit risk on financial liabilities		(7,133)	1,962	(11,386)	3,131	(1,170)
Share of the other comprehensive loss of associates		(352)	97	2	(1)	98
Foreign currency translation differences		(20,800)	4,146	(896)	624	3,522
Stock option (Capital adjustments)		2,726	(749)	587	(161)	(588)
	₩	<u>145,892</u>	<u>(41,693)</u>	<u>137,194</u>	<u>(37,335)</u>	<u>(4,359)</u>

(e) The deductible temporary differences which were not recognized as deferred tax assets (liabilities) as of December 31, 2021 and 2020 are as follows:

		December 31, 2021	December 31, 2020
Investments in subsidiaries	₩	21,801	1,515

(f) The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2021 and 2020 are as follows:

		December 31, 2021	December 31, 2020
Deferred tax assets	₩	395,620	258,256
Deferred tax liabilities		(231,482)	(257,352)

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31. Derivatives

(a) Details of the notional amounts of derivatives as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Interest rates		
Over the counter:		
Interest rate forwards	1,260,000	-
Interest rate swaps	₩ 6,171,531	6,917,543
Interest rate options	90,000	192,000
Exchange traded:		
Interest rate futures	2,772,958	2,186,165
Interest rate options	54,890	-
Interest rate swaps	41,443,375	32,138,500
	<u>51,792,754</u>	<u>41,434,208</u>
Foreign exchange		
Over the counter:		
Currency forwards	15,188,536	10,313,879
Currency swaps	432,248	2,552,866
Currency options	3,557	5,440
Exchange traded:		
Currency futures	605,539	1,069,894
	<u>16,229,880</u>	<u>13,942,079</u>
Equity		
Over the counter:		
Equity swap	2,073,995	2,429,161
Equity options	555,081	239,473
Exchange traded:		
Equity futures	1,612,646	1,583,114
Equity options	3,270,548	4,269,257
	<u>7,512,270</u>	<u>8,521,005</u>
Credit		
Over the counter:		
Credit swap	3,645,145	3,213,848
TRS Swap	1,092,183	1,322,779
	<u>4,737,328</u>	<u>4,536,627</u>
Commodity		
Over the counter:		
Commodity swaps	434,815	537,351
Exchange traded:		
Commodity futures	158,550	263,460
	<u>593,365</u>	<u>800,811</u>
	₩ <u>80,865,597</u>	<u>69,234,730</u>

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31. Derivatives (continued)

(b) Details of the gain (loss) on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Interest rates		
Over the counter:		
Interest rate forwards	1,213	-
Interest rate swaps	₩ (54,299)	(44,698)
Interest rate options	57	(249)
Exchange traded:		
Interest rate futures	(84)	478
Interest rate options	(23)	-
	<u>(53,136)</u>	<u>(44,469)</u>
Foreign exchange		
Over the counter:		
Currency forwards	7,714	18,295
Currency swaps	1,882	(3,534)
Currency options	11	146
Exchange traded:		
Currency futures	(198)	(96)
	<u>9,409</u>	<u>14,811</u>
Equity		
Over the counter:		
Equity swap	(176,430)	(15,979)
Equity options	2,551	(2,316)
Exchange traded:		
Equity futures	(18,601)	27,434
Equity options	32,614	196,334
	<u>(159,866)</u>	<u>205,473</u>
Credit		
Over the counter:		
Credit swap	(1,645)	2,200
TRS Swap	194,375	6,079
	<u>192,730</u>	<u>8,279</u>
Commodity		
Over the counter:		
Commodity swaps	(24,372)	(13,518)
Exchange traded:		
Commodity futures	470	11,394
	<u>(23,902)</u>	<u>(2,124)</u>
	<u>₩ (34,765)</u>	<u>181,970</u>

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32. Pledged Assets

Assets pledged as collateral as of December 31, 2021 and 2020 are as follows:

		December 31, 2021							
		Pledged for							
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total	
Due from banks at amortized cost	₩	90,000	180,000	1,000	555,630	-	-	109,993	936,623
Financial assets measured at FVTPL		697,841	-	320,544	4,162,751	9,763,389	-	-	14,944,525
Financial assets measured at FVOCI		-	-	-	164,429	647,541	-	-	811,970
Investment property		-	156,000	-	-	-	122,887	16,800	295,687
	₩	<u>787,841</u>	<u>336,000</u>	<u>321,544</u>	<u>4,882,810</u>	<u>10,410,930</u>	<u>122,887</u>	<u>126,793</u>	<u>16,988,805</u>
		December 31, 2020							
		Pledged for							
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total	
Due from banks at amortized cost	₩	30,000	138,507	1,000	487,384	-	-	104,124	761,016
Financial assets measured at FVTPL		1,401,220	-	1,395,581	4,170,951	8,359,508	-	1,313	15,328,573
Financial assets measured at FVOCI		-	-	68,550	751,075	866,927	-	-	1,686,551
Investment property		-	156,000	-	-	-	123,634	16,800	296,434
	₩	<u>1,431,220</u>	<u>294,507</u>	<u>1,465,131</u>	<u>5,409,411</u>	<u>9,226,435</u>	<u>123,634</u>	<u>122,238</u>	<u>18,072,574</u>

The carrying amounts of asset pledged that the pledges have the right to repledge regardless of the Group's default as of December 31, 2021 and 2020 are ₩10,410,930 million ₩9,226,435 million, respectively.

33. Share-based payments

(a) Details of performance shares granted as of December 31, 2021 are as follows:

	Descriptions
Type	Equity-settled share-based payment transaction (granted before 2019) Cash-settled share-based payment transactions (granted after 2020)
Service period	Within 4 years from the beginning of fiscal year inclusive of grant date (within 5 years if classified as for deferred payment)
Performance conditions	Increase rate of stock price (20.0%) and achievement of target ROE (80.0%)
Number of shares estimated at December 31, 2021	355,729 shares

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33. Share-based payments (continued)

(b) Number of shares granted and fair value at grant date for equity-settled share-based payments as of December 31, 2021 are as follows

Grant date	Number of shares granted	Fair value(*1)	Number of shares estimated(*2)
January 1, 2016	59,400	39,000	48,810
March 26, 2016	3,800	41,100	2,916
October 27, 2016	1,900	43,850	286
January 1, 2017	56,924	45,300	40,375
March 17, 2017	10,600	49,750	7,128
July 6, 2017	3,245	49,200	690
January 1, 2018	51,793	49,400	34,507
January 23, 2018	9,000	53,000	6,260
January 24, 2018	3,116	52,700	2,161
January 1, 2019	72,580	39,600	46,480
January 21, 2019	7,242	40,600	5,151
March 26, 2019	11,976	42,750	6,966
June 1, 2019	1,051	44,450	489
	<u>292,627</u>	-	<u>202,219</u>

(*1) Calculated by the closing price of Shinhan Financial Group Co., Ltd. at grant date as fair value per share

(*2) The Group adjusted the increase rate of stock price (20.0%) and achievement target ROE (80.0%) to determine the number of shares estimated, based on initial number of shares granted, after the termination of service period.

(*3) The Group recognized ₩ 4,244 million of liabilities for equity-settled share-based payments as of December 31, 2021.

(c) Number of shares granted and fair value for cash-settled share-based payments at grant date as of December 31, 2021 are as follows

Grant date	Number of shares granted	Fair value (*1)	Number of shares estimated (*2)
January 1, 2020	75,046	36,800	43,570
February 1, 2020	2,216	36,800	1,492
March 25, 2020	19,672	36,800	11,856
July 1, 2020	3,120	36,800	1,297
January 1, 2021	104,292	36,800	88,019
April 1, 2021	6,550	36,800	4,360
July 1, 2021	6,550	36,800	2,916
	<u>217,446</u>	-	<u>153,510</u>

(*1) Calculated by the closing price of Shinhan Financial Group Co., Ltd. as of December 31, 2021 as fair value per share.

(*2) The Group adjusted the increase rate of stock price (20.0%) and achievement target ROE (80.0%) to determine the number of shares estimated, based on initial number of shares granted, after the termination of service period.

(*3) The Group recognized ₩ 5,649 million of liabilities for cash-settled share-based payments as of December 31, 2021.

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33. Share-based payments (continued)

(d) Stock compensations costs (benefits) calculated as of and for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<i>(In number of shares)</i>	Performance shares	Performance shares
Equity-settled share-based payment transaction		
Compensation costs recorded for the period	₩ (601)	(508)
Accrued expenses (benefits) related to compensation cost	4,244	4,950
Cash-settled Share-based Payment Transactions		
Compensation costs recorded for the period	3,665	1,984
Accrued expenses (benefits) related to compensation cost	5,649	1,984

(e) Book value of liabilities and intrinsic value of liabilities regarding share-based payment as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity-settled share-based payment transaction		
Accrued expenses	₩ 4,244	4,950
Intrinsic value	4,244	4,950
Cash-settled Share-based Payment Transactions		
Accrued expenses	5,649	1,984
Intrinsic value	5,649	1,984

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34. Commitments and contingencies

(a) As of December 31, 2021 and 2020, the Group has faced with the following pending lawsuits:

December 31, 2021					
Lawsuits	Plaintiff	Details	Amount		
Compensation for loss	An individual	Illegal acts for loss of excessive trading	₩	2,612	
		Compensation for loss of incomplete sale of trust products		100	
		Compensation for loss of fund incomplete sales and illegal activities		600	
		Compensation for loss of default		40	
		Compensation for loss of description obligation		210	
		Investor damages claim due to soaring ETN gap rate		4,540	
		Compensation for loss of incomplete sale of trust products		100	
		Compensation for loss of incomplete sale		84	
		Compensation for loss due to computer errors		4	
		Compensation for repurchase of funds		12	
		Compensation for damages resulting from termination of lease contract	Baekdu General Development		50
		Compensation for loss of excessive trading	Daejin medical foundation		298
		Joint tort liability and user liability (*1)	Mirae Asset Securities Co.,Ltd.		9,083
		Commitment	Good Plus investment	NPL liquidated private loan principal claim	
Deposit	An individual	Claim for inheritance equity		26	
Claim for return of deposit	An individual	Claim for equivalent to the redemption price		315	
Return of unreasonable profit	An individual	Cancellation of contract		2,000	
		Deception or error cancellation		320	
Claim for deposit	An individual	Repurchase Payment		315	
		Repurchase Payment		748	
Claim for return of investment	An individual	Violation of customer protection obligations		400	
		Compensation for loss of description obligation		1,000	
		Request for return of transaction principal		69	
Claim for payment of money	Kumkang industry Co, Ltd	Compensation obligation for damages		200	
	An individual	Cancellation of contract		200	
	An individual	Cancellation of contract		200	
	An individual and Gwangmin Shipping Co., Ltd	Cancellation of contract		200	

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34. Commitments and contingencies (continued)

(a) As of December 31, 2021 and 2020, the Group has faced with the following pending lawsuits (continued):

December 31, 2021			
Lawsuits	Plaintiff	Details	Amount
Return of trust money, etc	An individual	Claim for return upon termination of a specified money trust	1,990
	Pigeon Coporation	Claim for payment of the original trust and the trust profit following the termination of a specified money trust	10,997
Unreasonable profit	An individual	Fund contract cancellation	4,000
Others	An individual	Claim for return of principal and interest due to termination of trust contract	216
	Kumkang industry Co, Ltd	Compensation obligation for damages	200
Confirmation of non-existence of debt	An individual	Confirmation of non-existence of debt	42
			₩ 42,171

(*1) In January 2022, two lawsuits for compensation for damages were filed by other financial companies (₩ 101,183 million) in a similar case.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

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34. Commitments and contingencies (continued)

(a) As of December 31, 2021 and 2020, the Group has faced with the following pending lawsuits (continued):

December 31, 2020					
Lawsuits	Plaintiff	Details	Amount		
Compensation for loss	An individual	Illegal acts for loss of excessive trading	₩ 2,612		
		Compensation for loss of incomplete sale of trust products	100		
		Compensation for loss of fund incomplete sales and illegal activities	600		
		Compensation for loss of default	40		
		Compensation for loss of description obligation	210		
		Investor damages claim due to soaring ETN gap rate	4,540		
		Daejin medical foundation	Compensation for loss of excessive trading	298	
		Woori investment bank	Compensation for loss of description obligation	1,000	
		Commitment	Good Plus investment	NPL liquidated private loan principal claim	1,000
		Deposit	An individual	Claim for inheritance equity	52
Return of unreasonable profit	An individual	Cancellation of contract	2,000		
Claim for deposit	ULS Co., Ltd	Repurchase Payment	748		
Claim for return of investment	An individual	Violation of customer protection obligations	400		
		Compensation for loss of description obligation	1,000		
Claim for payment of money	Kumkang industry Co, Ltd	Compensation obligation for damages	200		
Unreasonable profit	An individual	Fund contract cancellation	4,000		
		Violation of operating instruction of special money trust	575		
Others	An individual	Deferred bonus of result the fulfillment of inheritance shares	194		
		Kumkang industry Co, Ltd	Compensation obligation for damages	88	
				200	
			₩ 19,857		

As of December 31, 2021, the Group was filed as a defendant of 33 lawsuits (amount of ₩42,171 million). In relation, the Group recognized provisions of ₩2,076 million regarding the case the Group lost at the first and second trial. The Group believes that the rest of the cases will not have a significant impact on the consolidated financial statements, but it is probable that an additional outflow of economic benefits arises according to the outcome of cases.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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34. Commitments and contingencies (continued)

(b) Supplementing funds and purchase commitments

(i) in Won,

<u>Company</u>	<u>Underlying asset</u>	<u>2021</u>	<u>2020</u>	<u>Date of agreements</u>	<u>Date of maturity</u>
Credit offering					
Angelest the 5, 6, 7th L.L.C	Preferred stock and TRS contracts	₩ 15,000	15,000	October 9, 2019	October 10, 2022
Mainstream the 8th L.L.C	Loans	-	25,000	July 4, 2018	July 4, 2023
Smart financing 12th Co., Ltd	Loans	6,200	6,100	October 8, 2019	October 8, 2020
		<u>21,200</u>	<u>46,100</u>		
Liquidity offering					
Multiplex Series the 3rd Co., Ltd	Leasehold Deposits	-	30,000	August 29, 2018	August 29, 2021
Lotte, Teheran	Beneficiary certificate and TRS contracts	55,000	55,000	December 8, 2017	December 8, 2022
Catchment logistics center 1st Co., Ltd	Loans	-	28,000	March 13, 2019	January 1, 2023
Jayballonblue the 2 nd Co., Ltd	Exchangeable Bonds	15,500	-	November 16, 2021	November 16, 2026
		<u>70,500</u>	<u>113,000</u>		
Commitments on purchase of beneficial certificates					
Smart financing 7th Co., Ltd	Loans	-	15,000	May 31, 2019	May 31, 2021
Smart financing 8th Co., Ltd	Loans	-	5,100	June 27, 2019	June 28, 2021
Smart financing 11th Co., Ltd	Loans	-	15,000	September 27, 2019	September 27, 2021
		-	<u>35,100</u>		
		<u>₩ 91,700</u>	<u>194,200</u>		

As of December 31, 2021, the Group held ₩ 18,436 million of assets regarding the above commitments, etc.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

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34. Commitments and contingencies (continued)

(b) Supplementing funds and purchase commitments

(ii) in foreign currency,

<u>Company</u>	<u>Underlying asset</u>	<u>Currency</u>	<u>2021</u>	<u>2020</u>	<u>Date of agreements</u>	<u>Date of maturity</u>
Credit offering (Financial Supplementary Agreement)						
Shinhan						
Indonesia Green forest Co., Ltd	Private placed bond	USD	-	5,600	September 14, 2018	September 14, 2021
Credit offering (Payment Guarantee Agreement)						
Transimex corporation	Private placed bond	VND	150,000	150,000	December 9, 2019	December 13, 2022
Commitments on purchase						
Vitetnam Electrical Equipment JSC	Private placed bond	VND	500,000	500,000	May 28, 2020	May 28, 2023
An Phat Plastic & Green Environment JSC	Private placed bond	VND	-	100,000	November 08, 2018	November 08, 2021
		USD	-	5,600		
		VND	650,000	750,000		

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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34. Commitments and contingencies (continued)

(c) Obligation to conserve its loss by priority on PEF

As one of the co-general partner of KoFC Shinhan Frontier Champ 2010-4 Private Equity Fund, the Group is obliged to conserve its loss by priority, whose limit is 3% of the its investment to the PEF. Therefore, the amount of the investment collected as a result of liquidation of the PEF is subject to change.

(d) Other underwriting commitment

	Company		2021	2020
Equity securities	KHQ Private Equity Fund No.4	₩	442,642	365,974
Debt securities	Shinyoung PFV		755,384	418,243
		₩	<u>1,198,026</u>	<u>784,217</u>

(e) Financial institution commitment

	Financial Institution		2021	2020
Daylight overdrafts commitment	Shinhan Bank and others	₩	266,000	216,000
	Euroclear Bank		USD 8,000,000	USD 8,000,000
	Korea securities depository		USD 12,000,000	USD 12,000,000
Bank overdrafts commitment	Kyungnam Bank Co., Ltd and others	₩	265,000	165,000
	BIDV		VND 27,000,000,000	VND 160,000,000,000
Discounting of bills note receivable discount commitment	Shinhan Bank	₩	19,000	19,000
Commitment on loans	Shinhan Bank and others		USD 123,000,000	USD 80,000,000
	Woori Bank and others		VND 426,100,000,000	VND 391,000,000,000
Institutional operating fund loans	Korean Securities Finance Corporation(self)	₩	250,000	500,000
	Korean Securities Finance Corporation(trust)		within the range of trusts	within the range of trusts
Notes discounted	Korean Securities Finance Corporation(self)	₩	150,000	150,000
	Korea Securities Finance Corporation (subscription deposits)		within the range of subscription deposits	within the range of subscription deposits
KSFC trading Agreement on intraday fund transaction	Korea Securities Finance Corporation	₩	800,000	500,000
Collateral financing loan	Korea Securities Finance Corporation		200,000	200,000
	Korea Securities Finance Corporation		500,000	500,000

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the years ended December 31, 2021 and 2020

34. Commitments and contingencies (continued)

(f) Contingent liabilities related to the Lime case

As a prime brokerage service provider, the Group have entered into the total return swap agreement (derivatives that exchange risk with income from underlying assets (such as stocks, bonds, funds, etc.); hereafter referred to as the “TRS”) for the fund agreement managed by Lime Asset Management (hereafter referred to as the “Lime Fund”). The Lime Fund invested about US \$200 million in IIG Global Trade Finance Fund, IIG Trade Finance Fund, IIG Trade Finance Fund - FX Delta Hedged Fund (hereafter referred to as the “IIG Fund”) under the TRS with the Group from May 2017 to September 2017.

In accordance with the Lime Fund's managing directions in 2019, the Group contributed the IIG Fund to LAM Enhanced Finance III L.P. (hereafter referred to as the “Lime III Fund”) and acquired the LAM III Fund's beneficiary certificates. The recoverable value of LAM III Fund's beneficiary certificates is affected by the recoverable value of the IIG Fund contributed in kind. In addition, the IIG Fund received the cancellation of registration and the assets freezing from the U.S Securities and Exchange Commission in November 2019.

The Korean Financial Supervisory Service (FSS) announced in February 2020 that the Group was suspected of being involved in misconduct and fraudulent activities during the TRS transactions with Lime Asset Management and that its related prosecution investigations are also underway.

On November 12, 2021, the financial supervisory authorities confirmed institutional sanctions on the Group (a six-month ban on new sales of private equity funds).

The prosecution arrested and indicted the former head of the Prime Brokerage Service business division of the consolidated entity for fraud and violation of the Capital Markets and Financial Investment Business Act. And he was ultimately convicted.

And the prosecution also indicted the Group for violating the Capital Market and Financial Investment Services Provider Act on January 22, 2021. However, the current obligation of the Group is not high in connection of fraudulent activities.

(g) Contingent liabilities related to the sales of German heritage DLS trust

The Group sold about ₩ 390.7 billion in German Heritage DLS trust from May 2017 to December 2018. In this regard, the repayment of ₩ 379.9 billion as of December 31, 2021 has been delayed, and accordingly, the supervisory authorities conducted an inspection on the incomplete sale of trust products.

On November 12, 2021, the financial supervisory authorities confirmed institutional sanctions on the consolidated entity (a six-month ban on signing new contracts for some specific money trusts).

(h) Suspension of repurchase of Gen2 related trust

The Group sold Gen2-related trust products from May 2014 to November 2019, and ₩ 420 billion in balance as of December 31, 2021 has been suspended, delaying repayment.

(i) Contingent liabilities related to the progress of private reconciliation

On August 30, 2021, the Group decided to proceed with the privateization of the post-settlement method for 10 financial products sold by the Group through a resolution of the board of directors.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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35. Transaction as a transfer of financial instruments

(a) Transfers that do not qualify for de-recognition

(i) Bonds sold under repurchase agreements as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Transferred assets		
Financial assets designated at fair value through profit or loss	₩ 9,763,389	8,359,508
Financial assets measured at FVOCI	647,541	866,927
	<u>₩ 10,410,930</u>	<u>9,226,435</u>
Associated liabilities		
Bonds sold under repurchase agreements	₩ 10,512,937	10,123,502

(ii) Asset-backed securities

Details of the transferred assets to the subsidiaries by the Group through Asset-backed Securitization Act for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Transferred assets	₩ -	9,420
Related liabilities	-	9,420

(iii) Transfer of financial assets

The Group uses financial asset liquidity as a means of financing and risk transfer. These liquidity transactions typically result in the transfer of contractual cash flows to holders of debt securities issued in a portfolio of financial assets. The Group recognises debt securities issued without removing the asset under individual arrangements at the time of asset securitization, partially recognizes the asset to the extent of the entity's continued involvement in the asset, or recognizes the rights and obligations arising from the transfer as separate assets and liabilities. The Group only removes the entire liquidation asset if it transfers or retains contractual rights to the cash flow of the financial asset but has the contractual obligation to pay the cash flow to the other party without significant delay or reinvestment, and transfers most of the risks(e.g. credit risk, interest risk, early repayment, etc.) and benefits of ownership. The carrying amounts of financial assets recognised by the Group in relation to asset-backed transactions are ₩ 2,513,592 million and ₩ 3,041,118 million, and the carrying amounts of related liabilities are ₩ 2,588,038 million and ₩ 3,043,676 million as of December 31, 2021 and 2020

(iv) Securities loaned as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Rental Company</u>
Commercial bonds	₩ 103,622	99,670	Barclays Capital Securities LT etc.

(b) Qualified for de-recognition and continuing involvement in financial assets

There are no financial assets that meet the conditions of de-recognition and in which the Group has continuing involvement as of December 31, 2021 and 2020.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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36. Securities withheld and securities borrowed

Details of the securities withheld and securities borrowed on behalf of the clients as of December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Securities withheld		
Broker's securities	₩ 116,097,691	82,602,344
Beneficiary's securities	59,717,742	78,108,174
Depositor's securities	181,055	157,752
Others	814	838
	<u>175,997,302</u>	<u>160,869,108</u>
Securities borrowed		
	7,186,690	7,979,349
	₩ <u>183,183,992</u>	<u>168,848,457</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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37. Equity

(a) Details of equity as of December 31, 2021 and 2020 are summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Stockholder's equity		
Ordinary shares	₩ 1,527,882	1,527,882
Preference shares	259,116	259,116
	<u>1,786,998</u>	<u>1,786,998</u>
Hybrid bond		
Hybrid bond in foreign currency	300,024	-
Capital surplus		
Additional Paid-in Capital	667,620	667,620
Gain from reduction of capital	15	15
	<u>667,635</u>	<u>667,635</u>
Capital adjustments		
Stock options	1,550	1,976
Accumulated other comprehensive income		
Gain on financial instruments measured at FVOCI	135,770	124,302
Adjustment of credit risk for financial liabilities designated at FVTPL	(1,817)	(5,172)
Change of investments in a associate	5,317	(255)
Accumulated foreign exchange differences	12,750	(16,654)
	<u>152,020</u>	<u>102,221</u>
Retained earnings		
Legal reserve	40,288	39,549
Voluntary reserve (*1)	217,885	196,728
Unappropriated earnings	1,858,545	1,578,319
	<u>2,116,718</u>	<u>1,814,596</u>
Non-controlling interest		
Capital of non-controlling interest	960	961
Surplus profit brought forward from the previous term of non-controlling interest	(295)	(54)
Profit, attributable to non-controlling interests	(121)	(241)
	<u>544</u>	<u>666</u>
	₩ <u>5,025,489</u>	<u>4,374,092</u>

(*1) It consists of revaluation reserve and regulatory reserve for loan loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won, except per share data)

37. Equity (continued)

(b) Stockholder's equity as of December 31, 2021 and 2020 are summarized as follows:

	December 31, 2021		December 31, 2020	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares authorized	450,000,000	150,000,000	450,000,000	150,000,000
Par value per share (in won)	₩ 5,000	5,000	5,000	5,000
Number of issued shares Outstanding (*)	305,576,350	51,823,314	305,576,350	51,823,314
Stockholder's equity	₩ 1,527,882	259,116	1,527,882	259,116

(c) The details of hybrid bond as of December 31, 2021 and 2020 are as follows.

	Date of issue	Expiration date	Interest rate(%)	December 31, 2021		December 31, 2020	
				USD	₩	USD	₩
Hybrid bond in foreign currency(*)	February 14, 2021	permanent bond	2.925	270,000	300,024	-	-

(*) The above hybrid bond can be repaid early five years after the issuance date, and the interest rate is recalculated every five years after the issuance date by adding the additional interest rate to the five-year U.S. government bond rate.

(*) The above hybrid bond may delay the payment of interest scheduled for the interest payment date until the next interest payment date, without limitation on the number of times according to the company's choice. However, this is not the case if the consolidated entity makes a resolution on cash and stock dividends for common stocks for a period of 12 months prior to the interest payment date.

(d) Change in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

December 31, 2021						
		Valuation of financial assets measured at FVOCI	Change of investments in a associate	Accumulated foreign exchange differences	Adjustment of credit risk for financial liabilities measured at FVTPL	Total
Opening balance	₩	124,302	(255)	(16,654)	(5,172)	102,221
Increase from fair value valuation		20,398	7,686	-	(1,526)	26,558
Increase from disposal		(4,580)	-	-	6,154	1,574
Effect of exchange rate difference		-	-	34,451	-	34,451
Deferred tax effect		(4,350)	(2,114)	(5,047)	(1,273)	(12,784)
Ending balance	₩	135,770	5,317	12,750	(1,817)	152,020

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

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37. Equity (continued)

(d) Change in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows: (continued)

December 31, 2020					
	Valuation of financial assets measured at FVOCI	Change of investments in a associate	Accumulated foreign exchange differences	Adjustment of credit risk for financial liabilities measured at FVTPL	Total
Opening balance	₩ 107,959	1	(272)	(8,255)	99,433
Increase from fair value valuation	24,381	(354)	-	(9,689)	14,338
Increase from disposal	(1,817)	-	-	13,942	12,125
Effect of exchange rate difference	-	-	(19,904)	-	(19,904)
Deferred tax effect	(6,221)	98	3,522	(1,170)	(3,771)
Ending balance	₩ 124,302	(255)	(16,654)	(5,172)	102,221

(e) Statements of appropriation of retained earnings

Statements of appropriation of retained earnings for the years ended December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	March 22, 2022	March 24, 2021
Date of appropriation		
Unappropriated retained earnings		
Balance at beginning of the year	₩ 1,539,490	1,414,886
Profit for the year	313,606	149,019
Revaluation surplus	-	4,886
Reclassification of own credit risk adjustment	(6,153)	(13,942)
Hybrid bond interest	(5,118)	-
	<u>1,841,825</u>	<u>1,554,849</u>
Appropriation of retained earnings		
Legal reserve	10,000	739
Regulatory reserve for loan loss	27,809	7,229
Dividends	100,000	7,391
Cash dividends on ordinary shares		
Current year (In won) : ₩ 279 (5.59%)		
Prior year (In won) : ₩ - (0.00%)	85,336	-
Cash dividends on preference shares		
Current year (In won) : ₩ 329 (6.59%)		
Prior year (In won) : ₩ 50 (1.00%)	1,259	191
Cash dividends on 2 nd preference shares		
Current year (In won) : ₩ 279 (5.59%)		
Prior year (In won) : ₩ 150 (3.00%)	13,405	7,200
	<u>137,809</u>	<u>15,359</u>
Unappropriated retained earnings carried over to subsequent period	₩ <u>1,704,016</u>	<u>1,539,490</u>

These statements of appropriation of retained earnings were based on the separate financial statements of the Company.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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38. Dividends

Dividends declared for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021			December 31, 2020		
	Ordinary shares	1 st Preference shares	2 nd Preference shares	Ordinary shares	1 st Preference shares	2 nd Preference shares
Number of issued shares outstanding	305,576,350	3,823,314	48,000,000	305,576,350	3,823,314	48,000,000
Par value per share (in won) ₩	5,000	5,000	5,000	5,000	5,000	5,000
Dividends per share (in won)	279	329	279	-	50	150
Dividends ₩	85,336	1,259	13,405	-	191	7,200
Dividend rate per share	5.59%	6.59%	5.59%	-	1.00%	3.00%

These statements of dividends declared were based on the separate financial statements of the Company.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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39. Leases

(a) The plan to recover operating lease payments as of December 31, 2021 and 2020 is as follows.

	December 31, 2021	December 31, 2020
Not later than 1 year	₩ 17,539	15,682
1 ~ 2 years	16,320	14,415
2 ~ 3 years	14,773	13,460
3 ~ 4 years	14,807	12,322
4 ~ 5 years	12,953	11,810
After 5 years	93,833	95,000
	<u>₩ 170,226</u>	<u>162,689</u>

(b) As of December 31, 2021 and 2020, the lessee's right-of-use by type of underlying assets are as follows.

December 31, 2021			
	Acquisition costs (*)	Accumulated depreciation	Carrying amount
Real estate	₩ 36,970	(10,791)	26,179
Vehicle	2,074	(639)	1,435
	<u>₩ 39,044</u>	<u>(11,430)</u>	<u>27,614</u>

(*) Includes ₩ 3,605 million of prepaid rent and ₩ 3,802 million of provisions for recovery.

December 31, 2020			
	Acquisition costs (*)	Accumulated depreciation	Carrying amount
Real estate	₩ 25,244	(4,583)	20,661
Vehicle	1,452	(113)	1,339
	<u>₩ 26,696</u>	<u>(4,696)</u>	<u>22,000</u>

(*) Includes ₩ 6,066 million of prepaid rent and ₩ 3,144 million of provisions for recovery.

(c) Change in the right-of-use lease for the years ended December 31, 2021 and 2020 are as follows:

December 31, 2021			
	Real estate	Vehicle	Total
Beginning balance	₩ 20,661	1,339	22,000
Acquisitions	21,483	992	22,475
Disposals	(3,347)	(193)	(3,540)
Depreciation	(12,618)	(703)	(13,321)
Ending balance	<u>₩ 26,179</u>	<u>1,435</u>	<u>27,614</u>

December 31, 2020			
	Real estate	Vehicle	Total
Beginning balance	₩ 13,335	1,356	14,691
Acquisitions	26,266	2,089	28,355
Disposals	(7,445)	(1,423)	(8,868)
Depreciation	(11,495)	(683)	(12,178)
Ending balance	<u>₩ 20,661</u>	<u>1,339</u>	<u>22,000</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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39. Leases (Continued)

(d) The details of the maturity of the lease liability as of December 31, 2021 and 2020 are as follows:

		December 31, 2021						
		1 month or less	1 month ~ 3 months or less	3 months ~ 6 months or less	6 months ~ 1 year or less	1 year ~ 5 years or less	More than 5 years	Total
Real estate	₩	708	1,251	1,793	5,382	12,524	1,324	22,982
Vehicle		54	104	152	303	872	-	1,485
	₩	<u>763</u>	<u>1,355</u>	<u>1,945</u>	<u>5,685</u>	<u>13,396</u>	<u>1,324</u>	<u>24,468</u>

		December 31, 2020						
		1 month or less	1 month ~ 3 months or less	3 months ~ 6 months or less	6 months ~ 1 year or less	1 year ~ 5 years or less	More than 5 years	Total
Real estate	₩	597	951	1,298	2,139	7,756	1,959	14,699
Vehicle		56	108	159	284	759	-	1,365
	₩	<u>653</u>	<u>1,059</u>	<u>1,457</u>	<u>2,422</u>	<u>8,515</u>	<u>1,959</u>	<u>16,064</u>

The amounts shown above are based on undiscounted cash flows and are classified as the earliest maturity date when the Group's obligation to pay occurs.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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40. Cash flows

(a) Details of significant non-cash activities for the years ended December 31, 2021 and 2020 are as follows:

Replacement from financial assets measured at FVOCI to investments in associates

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Replacement from financial assets measured at FVTPL to derivative liabilities	₩ -	151,207
Replacement from investments in associates to financial assets measured at FVTPL	36,866	19,678
Replacement from financial assets measured at FVTPL to investments in associates	-	32,255
Property and equipment transferred from investment property	-	73
Replacement from property and equipment to investment property	618	576
Valuation gain on financial assets measured at FVOCI	15,817	22,564
Tax effect on valuation gain on financial assets measured at FVOCI	(4,350)	(6,221)
Valuation gain on financial liabilities designated at FVTPL with adjustment of credit risk	(1,526)	(9,689)
Tax effect on valuation gain on financial liabilities designated at FVTPL with adjustment of credit risk	420	2,664
Change of investments in associates	7,686	(355)
Tax effect on change of investments in associates	(2,114)	98
Foreign currency translation differences	34,452	(19,904)
Tax effect on foreign currency translation differences	(5,047)	3,522

(b) Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows:

	<u>Borrowings</u>	<u>Debentures</u>	<u>Lease liabilities</u>	<u>Total</u>
Balance at January 1, 2021	₩ 16,592,973	3,007,275	15,447	19,615,695
Changes from cash flows	(519,168)	921,536	(8,112)	394,256
Amortization of discount on borrowings and debentures	278	1,459	321	2,058
Changes in foreign currency exchange rate	163,565	10,810	-	174,375
Others	(37,909)	40,256	15,950	18,297
Balance at December 31, 2021	₩ <u>16,199,739</u>	<u>3,981,336</u>	<u>23,606</u>	<u>20,204,681</u>

	<u>Borrowings</u>	<u>Debentures</u>	<u>Lease liabilities</u>	<u>Total</u>
Balance at January 1, 2020	₩ 13,348,645	3,422,953	7,798	16,779,396
Changes from cash flows	3,390,722	(411,964)	(7,313)	2,971,445
Amortization of discount on borrowings and debentures	140	1,888	252	2,280
Changes in foreign currency exchange rate	(148,764)	(5,602)	-	(154,366)
Others	2,230	-	14,710	16,940
Balance at December 31, 2020	₩ <u>16,592,973</u>	<u>3,007,275</u>	<u>15,447</u>	<u>19,615,695</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions

(a) Significant account balances with related companies as of December 31, 2021 and 2020 are as follows:

Related party	Accounts	December 31, 2021	December 31, 2020
Shinhan Financial Group Co., Ltd	Other receivables (*1)	₩ 89	-
	Other payables (*3)	159,968	53,615
	Accrued expenses	6,735	6,088
	Borrowings (*2)	695,889	638,656
Shinhan Bank	Other receivables (*1)	47,624	49,755
	Other payables (*3)	32,831	31,438
	Accrued income	612	173
	Accrued expenses	199	176
	Cash and deposits	637,566	847,450
	Borrowings (*2)	192,413	61,038
	Deposits	-	14,967
	Derivative assets	4,596	1,962
	Derivative liabilities	4,724	12,075
	Loans	15,000	11,450
Shinhan Card Co., Ltd.	Other payables (*3)	4,130	2,468
	Deposits	942	471
Shinhan Life Insurance Co., Ltd.(*5)	Other receivables (*1)	-	1,924
	Other payables (*3)	9,871	2,339
	Deposits	7,496	418
	Derivative liabilities	37	88
	Derivative assets	818	-
	Accrued expenses	131	-
Shinhan Capital Co., Ltd.	Other payables (*3)	4,120	2,767
	Accrued expenses	1,110	210
	Borrowings(*2)	57,175	31,000
	Deposits	349	200,427
Shinhan Asset Management Co., Ltd.(*4)	Other payables (*3)	6,857	6,857
	Accrued income	2	-
Shinhan Alternative Investment Management Inc.	Other payables (*3)	508	389
	Shinhan DS	Accrued expenses	753
Shinhan AITAS Co., Ltd.	Borrowings (*2)	-	22,250
	Other payables (*3)	117	-
	Deposits	25,150	-
	Other payables (*3)	12,757	12,745
	Shinhan AI Co., Ltd.	Other payables (*3)	586
Jeju Bank	Other receivables (*1)	28	-
	Accrued expenses	802	579
	Deposits	104	28
	Cash and deposits	3,284	-
	Cash and deposits	132,728	71,709
	Accrued income	185	106
Other fund	Accrued income	22	45
	Derivative assets	1,214	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (Continued)

(a) Significant account balances with related companies as of December 31, 2021 and 2020 are as follows (continued):

Related party	Accounts	December 31, 2021	December 31, 2020
SHINHAN-CORE TREND GLOBAL FUND 1	Accrued income	17	16
Shinhan Healthcare Fund 3	Accrued income	-	68
Shinhan Healthcare Fund 5	Accrued income	126	127
One Shinhan Future's Fund 1	Accrued income	33	34
One Shinhan Global Fund 1	Accrued income	104	122
One Shinhan Future's Fund 2	Accrued income	31	31
Shinhan Smilegate Global 1	Accrued income	49	-
Nomura investment property trust No.19	Loans	11,880	11,976
	Accrued income	-	44
IGIS Private Real Estate Investment Trust 331	Loans	-	9,919
	Accrued income	-	121
	Unearned income	-	22
EDN Central Co., LTD	Loans	19,739	19,450
	Accrued income	9	9
	Unearned income	40	578
Pacificsunny Real Estate Private Fund 45	Unearned income	-	76
IGIS Private Real Estate Investment Trust 286	Other receivables	-	436
Genesis North America Power Company No.1 PEF	Other receivables	-	2,171
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Accrued income	-	-
		₩ 2,101,550	2,131,433

(*1) Other receivables consist of deposits, etc.

(*2) Include bonds sold under repurchase agreements and others.

(*3) Other liabilities consist of income deposits.

(*4) Shinhan BNP Paribas Asset Management Co., Ltd changed their name to Shinhan Aseet Management Co., Ltd.

(*5) Shinhan Life Insurance Co., Ltd and Orange Life Insurance co., Ltd merged and changed their name to Shinhan Life Insurance Co., Ltd.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(b) Significant transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party	Accounts	December 31, 2021	December 31, 2020
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 630	66
	Interest	12	-
Shinhan Bank	Interest	3,287	3,466
	Commission	22	-
	Rent	1,931	1,271
	Others	-	5
	Derivatives	28,511	35,597
	Bonds	1	-
Shinhan Card Co., Ltd.	Commission	343	413
	Rent	21	15
Shinhan Life Insurance Co., Ltd.	Commission	51	43
	Rent	215	134
	Derivatives	1,008	69
Shinhan Capital	Commission	24	-
	Rent	283	143
Shinhan Asset Management Co., Ltd	Commission	29	1
	Rent	1,599	1,777
Shinhan Alternative Investment Management Inc.	Rent	699	631
Shinhan DS	Commission	3	-
Shinhan AITAS Co., Ltd.	Commission	8	6
	Rent	887	768
Shinhan AI Co., Ltd.	Rent	351	315
Jeju Bank	Interest	823	2,407
Others	Commission	841	500
	Dividend	4,900	6,638
	Derivatives	1,214	-
Shinhan Praxis K-Growth Global Private Equity Fund	Commission	323	361
GX Shinhan Intervest 1st Private Equity Fund	Commission	-	454
Shinhan Healthcare New Technology Fund No.2	Commission	-	116
SHINHAN-CORE TREND GLOBAL FUND 1	Commission	106	100
One Shinhan future's New Technology Fund No. 1	Commission	72	73
Shinhan Healthcare New Technology Fund No. 3	Commission	68	156
One Shinhan Global New Technology Fund No. 1	Commission	144	248
One Shinhan future's New Technology Fund No. 2	Commission	67	36
Shinhan Healthcare New Technology Fund No. 5	Commission	201	73
Nomura investment property trust No.19	Interest	530	525
	Others	-	3
IGIS Private Real Estate Investment Trust 331	Interest	-	731
	Commission	-	478
EDN Central Co., LTD	Interest	1,140	649
	Commission	714	578
Pacificsunny Real Estate Private Fund 45	Commission	83	1,412

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(b) Significant transactions with related parties for the years ended December 31, 2021 and 2020 are as follows (continued):

Related party	Accounts	December 31, 2021	December 31, 2020
Eum Private Equity Fund No. 3	Dividend	1	1,429
Plutus-SG Private Equity Fund	Dividend	-	274
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Commission	-	3
EN healthcare fund 1	Dividend	-	630
Samchully Midstream Private Equity Fund 504	Dividend	-	307
Shinhan BNPP Daegu greenpower cogeneration	Dividend	242	242
Godeokgangil 10 PFV	Commission	-	150
Multi Asset Special Investment Private Trust No.1	Dividend	1,298	2,441
KB logistics center 1st Co., Ltd	Dividend	276	921
NH-Amundi US Private Trust No. 2	Dividend	450	600
Shinhan Smilegate Global 1	Commission	189	-
Rigars-GMB Private Trust	Dividend	484	713
J&Margnet Private Equity Fund	Dividend	1,243	312
Kiwoom Milestone Professional Private Real Estate Trust 20	Dividend	-	601
PCC amberstone Fund No. 1	Dividend	710	752
Axis Global growth New technology Fund	Dividend	-	305
Canister Private Equity Fund No. 1	Dividend	1,141	3,217
Simone mezzanine Private Equity Fund No. 1	Dividend	-	96
Lime pricing Private Equity Fund	Dividend	1	860
PSAEMP Private Equity Fund	Dividend	881	139
MC New technology Fund	Dividend	376	24
Hyundai investment real estate investment trust No. 40	Dividend	114	50
DS Gamechanger IT Fund	Dividend	9	-
Partner Valueup Fund 1	Dividend	666	-
Hanhwa-Incus Plus Fund 1	Dividend	428	-
Friend-HBA Fund 1	Dividend	198	-
Polaris Venture Fund 7	Dividend	140	-
		₩ 59,988	74,324

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(b) Significant transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

Related party	Accounts		December 31, 2021	December 31, 2020
Expense:				
Shinhan Financial Group Co., Ltd.	Commission	₩	4,474	4,474
	Interest		18,035	16,791
Shinhan Bank	Interest		1,898	1,215
	Commission		6,905	5,413
	Rent		8,509	10,804
	Derivatives		15,380	58,405
Shinhan Card Co., Ltd.	Interest		50	4
	Commission		154	162
Shinhan Life Insurance Co., Ltd.	Interest		52	26
	Commission		565	-
	Derivatives		392	376
Shinhan Capital	Interest		2,163	352
	Commission		811	345
Shinhan Asset Management Co., Ltd	Interest		61	5
Shinhan Alternative Investment Management Inc.	Interest		5	-
Shinhan DS	Interest		35	20
	Commission		16,549	13,446
	Interest		116	10
Shinhan AITAS Co., Ltd.	Commission		80	76
	Commission		1	5
Shinhan Credit Information Co., Ltd.	Commission		2,742	1,825
Shinhan AI Co., Ltd.	Interest		4	-
	Commission		36	23
Jeju Bank	Commission		2	-
Asia Trust Co., Ltd.	Commission		-	67
IGIS Private Real Estate Investment Trust 331	Others		-	121
EDN Central Co., LTD	Others		-	121
		₩	79,020	113,965

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(c) Key management personnel compensation for the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021	December 31, 2020
Salaries and wages	₩	15,379	13,247
Severance benefits		601	558
Share-based payments		3,064	1,476
	₩	<u>19,044</u>	<u>15,281</u>

(d) Details of collaterals to the related parties

Details of collaterals provided to the related parties as of December 31, 2021 and 2020 are as follows:

Related party	Assets pledged as collateral		December 31, 2021	December 31, 2020	Description
Shinhan Bank	Time deposits	₩	137,000	37,000	Collateral for a bank overdraft facility
	Time deposits		5,000	5,000	Collateral for the small amount of payment
	Reserve for claims of customers' deposits (trust)		90,000	90,000	Collateral for the small amount of payment
	Other deposits denominated in won		9	9	Deposit for checking accounts
Shinhan Life Insurance	Land and buildings		151,974	151,974	Collateral for rental
	Land and buildings		273	273	Collateral for rental
Shinhan Asset Management Co., Ltd	Land and buildings		1,354	1,354	Collateral for rental
Shinhan Alternative Investment Management Inc.	Land and buildings		166	166	Collateral for rental
Jeju Bank	Time deposits		-	20,000	Collateral for securities loaned
		₩	<u>385,776</u>	<u>305,776</u>	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(e) Financial arrangements with related parties

Details of the limit agreements with Shinhan Bank and Jeju Bank as of December 31, 2021 and December 31, 2020 are as follows:

<u>Related parties</u>	<u>Currency</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Shinhan Bank	KRW	351,000	201,000
	USD	50,000,000	50,000,000
	VND	120,000 million	20,000 million
Jeju Bank	KRW	3,000	3,000

As of December 31, 2021, the credit card limit agreements amount provided by Shinhan Card is ₩ 10,500 million, and the credit card limit agreements amount provided by Shinhan Vietnam Bank is VND 300,000,000.

(f) Details of purchase commitments for related parties

The purchase commitments provided to Shinhan Vietnam Bank, an affiliate, as of December 31, 2021 and 2020 are as follows. The Group has not purchased any assets under the terms of the agreement.

<u>Related party</u>	<u>Asset (commitments of purchase)</u>	<u>Currency</u>	<u>2021</u>	<u>2020</u>
Shinhan Vietnam Bank	Vietnam Electrical Equipment JSC Issued private bonds	VND (million)	200,000	200,000

(g) Fund lending transaction to the related parties for the years ended December 31, 2020 and 2019 are as follows:

<u>Relationship</u>	<u>Name</u>	<u>December 31, 2021</u>				
		<u>Beginning</u>	<u>Lending</u>	<u>Recover</u>	<u>Other(*1)</u>	<u>Ending</u>
Common control	Shinhan Bank	₩ 11,450	19,090	(11,450)	(17)	19,073
Affiliates	Nomura-Rifa Private Real Estate Investment Trust No.19	11,976	-	-	(96)	11,880
	IGIS Private Real Estate Investment Trust 331	9,919	-	(10,000)	81	-
	EDN Central Co., Ltd	19,450	-	-	289	19,739
		₩ 52,795	19,090	(21,450)	257	50,692

(*1) Effect of foreign currency translation, fair value and change in provision on credit loss amount is included.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(g) Fund lending transaction to the related parties for the years ended December 31, 2021 and 2020 are as follows:(Continued)

Relationship	Name	December 31, 2020				
		Beginning	Lending	Recover	Other(*1)	Ending
Common control	Shinhan Bank	₩ -	41,450	(30,000)	-	11,450
Affiliates	Nomura-Rifa Private Real Estate Investment Trust No.19	11,973	-	-	3	11,976
	IGIS Private Real Estate Investment Trust 331	-	10,000	-	(81)	9,919
	EDN Central Co., Ltd	-	20,000	-	(550)	19,450
		₩ 11,973	71,450	(30,000)	(628)	52,795

(*1) Effect of foreign currency translation, fair value and change in provision on credit loss amount is included.

(h) Fund borrowing transaction from the related parties for the years ended December 31, 2021 and 2020 are as follows:

Relationship	Name	December 31, 2021				
		Beginning	Borrowing (*1)	Repayment	Other (*2)	Ending
Parent company	Shinhan Financial Group Co., Ltd.	₩ 638,656	300,024	-	57,234	995,914
Common control	Shinhan Bank	61,038	135,237	(4,710)	849	192,413
	Shinhan Capital Co., Ltd.	31,000	32,175	(6,000)	-	57,175
	Shinhan DS	22,250	59,219	(81,469)	-	-
		₩ 752,944	526,655	(92,179)	58,083	1,245,502

(*1) During the current term, Shinhan Financial Group Co., Ltd. issued ₩ 300,024 million in new capital securities and paid ₩ 4,655 million in dividends related to new capital securities. The Group classifies new capital securities as equity.

(*2) Includes gains and losses on foreign currency translation.

Relationship	Name	December 31, 2020				
		Beginning	Borrowing	Repayment	Other (*1)	Ending
Parent company	Shinhan Financial Group Co., Ltd.	₩ 104,202	1,107,603	(520,000)	(53,149)	638,656
Common control	Shinhan Bank	5,000	87,384	(30,778)	(568)	61,038
	Shinhan Capital Co., Ltd.	15,000	31,000	(15,000)	-	31,000
	Shinhan DS	7,300	128,037	(113,087)	-	22,250
		₩ 131,502	1,354,024	(678,865)	(53,717)	752,944

(*1) Includes gains and losses on foreign currency translation.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(i) The unused purchase agreements provided by the Group to related parties as of December 31, 2021 and 2020 are as follows:

<u>Related party</u>	<u>Classification</u>	<u>Currency</u>	<u>2021</u>	<u>2020</u>
Genesis North America Power Company No.1 PEF	Purchase agreement	KRW	652	652
AIP Transportation Specialized Privately Placed Fund Trust #1	Purchase agreement	KRW	704	2,092
Samsung SRA Real Estate Private Fund 45	Purchase agreement	USD	13,322	15,964
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Purchase agreement	KRW	903	3,369
Shinhan AIM Private Fund (FOFS) 6-A	Purchase agreement	USD	23,174	25,098
Shinhan Praxis K-Growth Global Private Equity Fund	Purchase agreement	KRW	-	38
One Shinhan Future's Fund 2	Purchase agreement	KRW	-	400
Shinhan AIM Private Fund (FOFS) No. 1	Purchase agreement	KRW	85	300
SHBNPP Venture Professional Investment Type Private Investment Trust No.2	Purchase agreement	KRW	2,000	6,000
Shinhan AIM Private Fund (FOFS) No. 2	Purchase agreement	KRW	121	322
SHBNPP Venture Professional Investment Type Private Investment Trust No.3	Purchase agreement	KRW	6,000	14,000
SHBNPP Venture alpha Professional Investment Type Private Investment Trust No.1	Purchase agreement	KRW	300	1,050
Neoplux Private Equity Fund	Purchase agreement	KRW	480	960
Shinhan SKS Corporate Recovery Private Equity Fund	Purchase agreement	KRW	8,394	10,000
Kiwoom Milestone US Specialized Private Investment Trust No.16-C	Purchase agreement	USD	1,600	1,600
Shinhan-Neo Market-Frontier Fund 2	Purchase agreement	KRW	1,800	-
Shinhan AIM Social Enterprise Fund 3	Purchase agreement	KRW	1,406	-
Genesis Environmnet Fund 1	Purchase agreement	KRW	16	12,000
Helios-KDBC Video Digital Content Fund 1	Purchase agreement	KRW	1,300	-
Shinhan AIM Acquisition Financing Fund 1	Purchase agreement	KRW	5,752	-
Shinhan Venture Fund 4	Purchase agreement	KRW	21,000	-
Shinhan AIM National Pension Renewable Energy Fund 1	Purchase agreement	KRW	4,215	4,553
IGIS GLIP Private Real Estate Investment Trust 1-1	Purchase agreement	USD	-	4,105
IGIS GLIP Private Real Estate Investment Trust 1-2	Purchase agreement	USD	-	4,105

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

41. Related party transactions (continued)

(j) The details of securities sales through the Group by major related parties for the years ended December 31, 2021 and 2020 are as follows:

Realated Parties	December 31, 2021		December 31, 2020	
	Sold	Buy (*)	Sold	Buy (*)
Shinhan Financial Group Co., Ltd	-	375,000	-	60,000
Shinhan Bank	5,419,050	5,307,469	5,900,403	7,260,338
Shinhan Life Insurance Co., Ltd.	670,380	165,227	1,341,505	287,176
Shinhan Card Co., Ltd.	991,563	1,034,166	367,624	438,170
Shinhan Capital Co., Ltd.	31,000	20,000	9,000	631
Jeju Bank	19,906	49,916	-	-
BNP Paribas Cardif Life Insurance	123,450	19,835	-	-
GMB ICT New technology fund	-	-	-	2,910

(*) Includes the underwriting accounts by the Group among the securities issued by the related parties.

(k) Collateral provided from the related parties as of December 31, 2021 and 2020 are summarized as follows:

Related Parties	Assets provided as collateral	December 31, 2021	December 31, 2020
Shinhan Life Insurance	Government bonds	5,043	4,981

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

42. Regulatory reserve for loan loss

In accordance with Regulations for Investment 3-8, if the amount of allowance for credit losses by Korean IFRS is less than that required by Regulations for Investment 3-8, the Group reserves the difference between the allowance for credit losses by Korean IFRS and Regulations and discloses the reserve.

(a) Regulatory reserve for loan losses as of December 31, 2021 and 2020 are as follows:

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Regulatory reserve for loan loss accumulated	₩	67,152	45,996
To be scheduled		28,090	21,156
	₩	<u>95,242</u>	<u>67,152</u>

(b) Provision for regulatory reserve for loan loss and income adjusted for regulatory reserve.

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Income for the year	₩	320,783	154,772
Provision for regulatory reserve for loan loss		(28,090)	(21,156)
	₩	<u>292,693</u>	<u>133,616</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

43. Interests in unconsolidated structured entities

(a) Details of unconsolidated structured entities as of December 31, 2021 and 2020 are as follows:

		December 31, 2021			
		Asset-backed securitization	Project financing	Investment fund	Total
Total Assets	₩	129,316	17,516,664	24,414,456	42,060,436

		December 31, 2020			
		Asset-backed securitization	Project financing	Investment fund	Total
Total Assets	₩	1,646,176	12,787,916	15,116,833	29,550,925

(b) The nature of the risks associated with unconsolidated structured entities

(i) Assets and liabilities recognized in the consolidated financial statements of the Group related to the Group's interests in unconsolidated structured entities as of December 31, 2021 and 2020 are as follows:

		December 31, 2021			
		Asset-backed securitization	Project financing	Investment fund	Total
Assets:					
Loans measured at FVTPL	₩	16,352	27,551	-	43,903
Loans measured at amortized cost		12,372	883,228	41,272	936,872
Securities measured at FVTPL		682	87,322	1,663,799	1,751,803
Other assets		138	17,029	177	17,344
	₩	<u>29,544</u>	<u>1,015,130</u>	<u>1,705,248</u>	<u>2,749,922</u>
Liabilities:					
Other liabilities	₩	<u>103</u>	<u>18,616</u>	<u>-</u>	<u>18,719</u>

		December 31, 2020			
		Asset-backed securitization	Project financing	Investment fund	Total
Assets:					
Loans measured at FVTPL	₩	7,007	156,069	-	163,076
Loans measured at amortized cost		-	701,201	-	701,201
Securities measured at FVTPL		68,789	14,025	1,550,568	1,633,382
Other assets		2,019	19,617	405	22,041
	₩	<u>77,815</u>	<u>890,912</u>	<u>1,550,973</u>	<u>2,519,700</u>
Liabilities:					
Other liabilities	₩	<u>2,610</u>	<u>16,591</u>	<u>-</u>	<u>19,201</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In millions of won)

43. Interests in unconsolidated structured entities (continued)

(b) The nature of the risks associated with unconsolidated structured entities (continued)

(ii) As of December 31, 2021 and 2020, the Group's maximum risk exposure to unconsolidated structured entities is as follows:

	December 31, 2021			
	Asset-backed securitization	Project financing	Investment fund	Total
Holding assets	₩ 29,544	1,015,130	1,705,247	2,749,922
Purchase agreement	52,064	-	234,288	286,352
Payment guarantees	21,200	-	-	21,200
Others	-	131,821	-	131,821
	<u>₩ 102,808</u>	<u>1,146,951</u>	<u>1,939,535</u>	<u>3,189,294</u>
	December 31, 2020			
	Asset-backed securitization	Project financing	Investment fund	Total
Holding assets	₩ 77,815	890,912	1,550,973	2,519,700
Purchase agreement	89,954	-	283,816	373,770
Payment guarantees	87,293	-	-	87,293
Others	-	123,210	-	123,210
	<u>₩ 255,062</u>	<u>1,014,122</u>	<u>1,834,789</u>	<u>3,103,973</u>

44. Uncertainty due to changes in domestic and foreign economic conditions

The rapid spread of the COVID-19 epidemic is negatively affecting the global economy. The Group uses forward-looking information to estimate expected credit losses in accordance with Korean IFRS 1109 and significant changes in forward-looking information existed during the current term due to the spread of the COVID-19. As the economic situation is expected to slow down compared to the previous forecast, the forecast default rate at the end of 2021 was reestimated and reflected in the loss allowance for expected credit losses using changed future forecast information on GDP growth rate and private consumption growth rate. The economic environment remains uncertain as of the settlement date, and future credit losses may vary depending on the end of the COVID-19 and the pace of economic recovery. The Group will continue to monitor the impact of the COVID-19 on the economy.